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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

First Quarter 1943

Milwaukee, Wisconsin

June 1943

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WARTIME LAND MARKET SURVEY 1/
First Quarter, 1943 2/ -

Summary

Farm real estate sales prices, in selected sample areas of the North Central Region during the first quarter of 1943, were about 15 percent higher than in the first quarter of 1942. The increase since 1941 appears to exceed 25 percent.

The volume of transfers in the first quarter of 1943 was higher generally throughout the sampled portions of the region.

Equities in purchased properties amounted to approximately 60 percent of the purchase price, about the same as in 1942. This indicates an increase in debt per acre of land purchased of about 15 percent since 1942.

Insurance companies and other creditor owners declined in importance as sellers of farm real estate and sales by estates and by individuals increased in importance.

Farmers continue to be the most important class of buyers while nonfarmer buyers attained importance in certain local areas.

Although farm income has increased substantially since 1940, it appears that unless the high level of income is maintained for several years, many farmers may be unable to pay for farm real estate at current prices from the income received from the properties alone.

Reports of purchase for "speculation" have increased and are being augmented by resale of properties at considerable profit.

The immediate market outlook is for a continuation of the upward trend in sale prices, a principal contributing factor being the large volume of purchasing power available in the hands of the people.

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- 1/ Assistance in collecting and tabulating the data for this survey was provided by the departments of agricultural economics in the Agricultural Experiment Stations in the States concerned.
- 2/ This report is the fifth in a series presenting current information on farm real estate activity in selected counties in the North Central States. The data include only bona fide transfers and were obtained from deed and mortgage records in the county recorders' offices. The information on buyers and sellers was obtained from local people in the various counties and was supplemented by mail questionnaires.

Table 1. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1941, 1942 and the first quarter of 1943, North Central Region ^{1/}

Area ^{2/}	Number of Sample Counties	1941	1942	First Quarter: 1943	Percentage change	
					1942 over 1941	1st Quarter 1943 over 1st Quarter 1942
	Number	Dollars	Dollars	Dollars	Percent	Percent
CORN BELT AREAS	17	89	98	111	10	16
Central Indiana-Ohio	5	82	87	98	6	11
Illinois-Indiana Cash Grain	3	124 ^{3/}	139	144	12	4
Illinois-Iowa Livestock	3	84 ^{3/}	93	106	11	19
Central and Northern Iowa	4	84 ^{3/}	94	118	12	27
Western Iowa	2	67 ^{4/}	68	79	1	23
CORN BELT FRINGE AREAS	15	48	54	60	12	7
Toledo General Farming	3	69 ^{3/}	76	96	10	19
Kankakee River	1	50 ^{4/}	53	59	6	16
Lower Wabash River	2	38 ^{4/}	44	49	16	- 8
Missouri Putnam Soils	2	21 ^{4/}	24	30	14	36
Iowa-Missouri Pasture	2	29 ^{4/}	34	32	17	0
Maryville-Greenfield Livestock	2	54 ^{4/}	53	55	- 2	6
Southern Minnesota	1	0 ^{4/}	62	67	0	8
LaCrosse-Dubuque Livestock	2	51	54	56	6	- 7
DAIRY AREAS	8	68	72	87	6	23
Northeastern Ohio	2	70 ^{4/}	79	80	13	- 1
Lake Michigan	4	71 ^{3/}	76	99	7	38
East St. Louis	2	54 ^{4/}	51	57	- 6	6
GENERAL FARMING AREAS	6	26	27	30	4	7
Southeastern Ohio	2	25 ^{4/}	28	29	12	- 6
Southeastern Indiana	2	22 ^{4/}	22	33	0	38
Southwestern Missouri Plains	2	29 ^{4/}	26	30	-10	3
MISSOURI-ILLINOIS COTTON AREA	1	78	93	108	19	29 ^{5/}
REGIONAL TOTAL	47	62	68	78	10	15

^{1/} Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in Appendix 1.

^{2/} Areas and subareas are given weights in averages according to their size.

^{3/} Average of two sample counties.

^{4/} Average in one sample county.

^{5/} March and April sales only.

Farm Real Estate Prices Increase 15 Percent

The first quarter of 1943 witnessed a continuation at an accelerated rate of the upward trend in farm real estate prices which has prevailed during the past two years. Sales prices in selected counties in the North Central Region averaged about 15 percent above those of the first quarter of 1942. (See Table 1.) In some areas increases of as much as 38 percent were recorded, and in half of all the sample areas the increases exceeded 10 percent. Although in one-fourth of the areas sampled no change or slight decreases occurred, it is believed that these were due to a decline in the quality of land being sold. In many areas lands of comparable quality are probably being sold at prices substantially higher than 15 percent above 1942. In such areas individual sales at spectacular prices are occurring, such as sales of central Illinois land without buildings at more than \$200 per acre.

Although substantial price increases appear to have been general throughout the region, the greatest increases were in the Lake Michigan dairy area, southeastern Indiana and in the Missouri-Putnam soils area. Slight declines in prices, probably due to decreases in quality of land, were recorded in eastern Ohio, the lower Wabash River area of Indiana and Illinois and the LaCrosse-Dubuque livestock area. It is not improbable that in the latter areas declines in quality exceeded declines in prices such that values of land of comparable quality are actually higher although not rising relatively as much as in other areas in the region.

The substantial rise in prices occurring in the last year when added to an apparent increase of 10 percent in the preceding year indicates a total rise in the last two years of at least 25 percent.

Volume of Farm Real Estate Sales Higher

Farm real estate market activity as indicated by recordings of transfers in county records, was greater in the first quarter of 1943 than in the same period of 1942. (See Table 2.) Increased activity was general throughout the portions of the region studied. A decline in activity was recorded only in southern Minnesota where the disposal of insurance company and other credit-owned lands sharply declined in 1943. In other areas in the past two years declines in sales of creditor lands have usually preceded somewhat an increase in sales of land owned by estates and by individuals.

Table 2. Average Number of recorded voluntary farm real estate sales per sample county 1942, and first quarter of 1943, North Central Region 1/

Area	1942				1943
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
	(Number)				
<u>CORN BELT AREAS</u>	42	22	18	18	56
Central Indiana-Ohio	39	31	25	30	66
Illinois-Indiana Cash Grain	41	17	20	19	48
Illinois-Iowa Livestock	47	23	16	16	53
Central and Northern Iowa	45	16	12	11	49
Western Iowa	40	14	16	9	62
<u>CORN BELT PRIME AREAS</u>	53	21	13	27	59
Toledo General Farming	46	21	15	32	46
Kankakee River	39	30	14	33	53
Lower-Mabash River	29	25	13	29	50
Missouri Putnam Soils	58	30	16	28	60
Iowa Missouri Pasture	66	21	12	34	86
Maryville-Greenfield Livestock	95	16	18	18	97
Southern Minnesota	32	14	6	18	15
LaCrosse-Dubuque Livestock	43	14	7	24	50
<u>DAIRY AREAS</u>	39	32	22	23	39
Northeastern Ohio	50	58	28	42	54
Lake Michigan	42	24	20	26	36
East St. Louis	22	26	22	18	31
<u>GENERAL FARMING AREAS</u>	35	30	26	36	52
Southeastern Ohio	33	29	20	30	40
Southeastern Indiana	34	31	32	30	45
Southwestern Missouri Plains	47	36	34	54	90
Red River Valley	16	16	11	25	12
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	<u>2/</u>
REGIONAL AVERAGE	44	24	18	26	54

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated Dec. 1942 but recorded in the 1st Quarter 1943.

2/ Not Available.

Buyers' Equities in Real Estate Purchased
Amount to About 60 Percent of Purchase Price

In the first quarter of 1943 buyers paid all cash for about 40 percent of the tracts of farm real estate studied. Of the 60 percent where some indebtedness remained, the recorded debt amounted to about 63 percent of the purchase price and the down payment about 37 percent. (See Table 3.) Equities in purchased lands averaged lowest in most areas of Iowa and Missouri and in southeastern Indiana. The Missouri and Iowa areas are also the areas where sales of insurance company and other creditor-owned farms were most numerous. In southeastern Indiana numerous purchases by nonfarmers, principally industrial workers, living in Cincinnati and environ were reported. Equities were highest in the St. Louis dairy area counties and in Pemiscot County in the Missouri-Illinois cotton area.

The proportion of farms mortgaged and the relative encumbrance were approximately the same as in 1942 despite the fact that land prices have increased about 15 percent. This indicates an increase in farm mortgage debt and fixed debt charges per acre of land purchased during the period of about 15 percent compared with 1942.

Classes of Owners Selling Farm Lands

In the first quarter of 1943 insurance companies and other creditor owners continued to decline in importance as sellers of farm real estate. Sales by estates and by owner-operators increased in importance. Sales by individuals who did not operate the land constituted 30 percent of the total; owner-operators 22 percent; and the remaining 48 percent was equally divided between unclassified individuals, estates and lending agencies. (See Table 4.) Depletion of the holdings of creditor agencies and old estates may be anticipated as time goes on.

Classes of Buyers

About 60 percent of the farm real estate purchased was acquired by farmers who intend to operate the land. (See Table 5.) Nonfarmers who intend to lease the land to others constituted 25 percent of the total; nonfarmers who plan to operate eight percent; and farmers who intend to lease to others seven percent. Farmers who intend to operate were greatly in the majority in all areas except the Missouri-Illinois cotton area and the Illinois-Indiana cash grain area where nonfarmer purchasers who intend to lease to others were almost as numerous. Buying by farmers to lease to others was relatively most important in the cotton area and in certain livestock farming areas of the Corn Belt. Purchases

Table 3. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, first quarter, 1943

Area	: Total : Method of financing		: Buyer's equity			
	: transfers:	Cash	Cash & mort-	: purchase:	In mort-	: In all
	: classi- : fied	: sales :	mort- : gage	: con- : tracts	: proper- : ties	: proper- : ties
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
<u>CORN BELT AREAS</u>	914	35	64	1	40	59
Central Indiana-Ohio	297	33	67	-	43	60
Illinois-Indiana Cash Grain	141	43	57	-	44	64
Illinois-Iowa Livestock	156	52	46	2	40	67
Central and Northern Iowa	195	23	74	3	39	52
Western Iowa	125	38	62	-	35	55
<u>CORN BELT FRINGE AREAS</u>	879	37	63	1/	35	55
Toledo General Farming	137	50	50	-	40	67
Kankakee River	52	33	67	-	41	60
Lower Wabash River	98	51	49	-	34	66
Missouri Putnam Soils	115	34	66	-	33	53
Iowa-Missouri Pasture	170	31	69	-	27	44
Maryville-Greenfield Livestock	194	31	67	2	30	44
Southern Minnesota	15	27	73	-	33	50
LaCrosse-Dubuque Livestock	98	40	59	1	38	59
<u>DAIRY AREAS</u>	306	48	52	-	41	66
Northeastern Ohio	106	44	56	-	36	66
Lake Michigan	140	43	57	-	42	65
East St. Louis	60	70	30	-	42	72
<u>GENERAL FARMING AREAS</u>	239	51	49	-	29	59
Southeastern Ohio	59	54	46	-	24	62
Southeastern Indiana	62	29	71	-	41	56
Southwestern Missouri Plains	118	52	48	-	35	56
MISSOURI-ILLINOIS COTTON AREA <u>2/</u>	15	40	60	-	54	70
REGIONAL TOTAL	2353	40	60	1/	37	59

1/ Less than 0.5 percent.

2/ March and April transfers only.

by nonfarmers who plan to operate the land were evident particularly in central Indiana-Ohio, lower Wabash River area, Missouri Putnam soils area, northeastern Ohio, southeastern Indiana and southwestern Missouri. Such purchases apparently represent efforts of industrial and other non-farm workers to secure a home and an investment to provide security in the event of future unemployment.

Use of Purchase Money Mortgages and Sources of Other Mortgage Credit

Purchase money mortgage credit was an important means of financing the acquisition of farm real estate during the first quarter of 1943 and was used in 39 percent of the transactions involving mortgage financing. (See Table 6.) New mortgages given to commercial banks amounted to 24 percent of the total; individual lenders 18 percent; insurance companies eight percent; and the Farm Credit Administration and the Farm Security Administration six percent. Historically, purchase money mortgages have often been associated with small relative down payments and commercial bank loans have often borne higher interest rates and shorter terms of years than loans from other sources. All of these factors promote heavier costs for interest and for renewal of loans.

Land Prices and Farm Income

The advance in recorded sales prices of farm real estate of more than 25 percent in the last two years has been associated with substantial increases in farm income. Cash farm income and government payments, per acre, in the United States in 1941 and 1942 were roughly 125 and 165 percent, respectively, of the 1940 income and payments. Residual cash returns per acre (for capital, management, and family labor) in 1941 and 1942 were approximately 140 and 250 percent, respectively, of 1940 residual returns.

Purchasers of farm real estate are, of course, weighing, the possibilities of securing high returns during hostilities, the probable duration of the war, the effect of minimum price guarantees for a period after fighting ceases, and the probable level of farm prices during the post-war period. Many purchasers undoubtedly believe that although land values have increased, large farm incomes during the next year or more will permit them to pay for the property without undue hardship.

If it is arbitrarily assumed (1) that in 1940 the farm real estate purchasers used a four percent rate of interest in capitalizing income in order to establish the value of farm real estate, and (2) that they will continue to use this rate of interest after 1940, then land which produces \$5

Table 4. Types of owners selling farms, first quarter, 1943, North Central Region

Area	Total		Type of seller				
	Number	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
CORN BELT AREAS	924	15	29	14	19	23	
Central Indiana-Ohio	298	19	30	23	21	7	
Illinois-Indiana Cash Grain	144	20	41	8	22	9	
Illinois-Iowa Livestock	160	20	35	10	22	13	
Central and Northern Iowa	197	9	16	18	17	40	
Western Iowa	125	13	33	5	13	36	
CORN BELT FRINGE AREAS	892	22	30	15	15	18	
Toledo General Farming	138	22	43	9	19	7	
Kankakee River	53	49	19	15	9	8	
Lower Wabash River	100	23	46	5	10	16	
Missouri Putnam Soils	120	20	40	9	13	18	
Iowa Missouri Pasture	172	10	26	11	9	44	
Maryville-Greenfield Livestock	194	14	26	16	13	31	
Southern Minnesota	15	27	33	7	26	7	
LaCrosse-Dubuque Livestock	100	15	16	36	14	19	
DAIRY AREAS	313	26	35	15	20	4	
Northeastern Ohio	108	29	19	31	18	3	
Lake Michigan	143	27	40	11	16	6	
East St. Louis	62	21	32	8	36	3	
GENERAL FARMING AREAS	347	31	33	22	10	4	
Southeastern Ohio	76	39	29	22	8	2	
Southeastern Indiana	90	31	40	13	7	9	
Southwestern Missouri Plains	181	19	36	24	14	7	
MISSOURI-ILLINOIS COTTON AREA	15	80	13	-	-	7	
REGIONAL TOTAL	2491	22	30	16	16	16	

per acre net rent is worth about \$125 per acre to the average buyer. Assuming that this preference is accurately reflected in average sales prices, then, by the spring of 1943 it had become necessary for buyers to pay 25 percent more or a total of about \$156 per acre for the same land which produced \$5 net income in 1940. However, income from land has also increased. Residual cash returns in 1942 were about 150 percent higher than in 1940. If we return to the 1940 level of income after the period of high wartime income, how many years must such high wartime income prevail in order that the purchaser may pay for the property from income above interest? It appears that if, on the average, purchasers are not to receive less than four percent return on their investment and yet pay for the property from the returns produced thereon, it will be necessary for them to receive residual returns equivalent to the 1942 level (250 percent of 1940) for about the next five years, followed by income equal to that of 1940.

Increased Speculation in Land

The proportion of reports from farm real estate purchasers listing "speculation" as the reason for purchase is currently higher than at any previous time in 1941 or 1942.

Quick resale of farm properties at considerable profit is receiving considerable publicity and is speculative in effect. A study of transfers in 15 counties in the region ^{3/} reveals that purchasers who resold the land they bought in 1941 and 1942 realized an average profit consisting of appreciation in sales value of about 22 percent of the original purchase price. Tracts resold averaged 10 in number per county. About 32 percent of the resales were made by farmers. In addition 51 purchasers, about 50 percent of whom were farmers, resold portions of recently acquired properties.

Market Outlook

Probably the most significant feature of the farm real estate market situation is the tremendous supply of available purchasing power in the hands of people, many of whom are relatively unfamiliar with investment possibilities other than real estate and real estate mortgages. The supply of prospective purchasers who want to acquire land as a home, an investment, an inflation hedge, or for speculation appears to exceed greatly the present number of prospective sellers. The supply of land held by unwilling owners is rapidly being depleted and higher bidding probably will be necessary in order to acquire desirable land in the near future.

^{3/} The 15 counties include five in Iowa, two in Missouri, six in Illinois, and two in Ohio.

Table 5. Farmers and non-farmers buying farms and their intentions to operate or lease to others, first quarter 1943, North Central Region.

Area	Total Classified	Farmers		Non-Farmers	
		Transfers:		Transfers:	
		to operate		to operate	
		to others		to others	
		Percent		Percent	
<u>CORN BELT AREAS</u>	634	55	8	6	31
Central Indiana-Ohio	202	54	6	15	25
Illinois-Indiana Cash Grain	118	47	7	3	43
Illinois-Iowa Livestock	107	53	13	6	28
Central and Northern Iowa	107	56	7	3	34
Western Iowa	100	70	11	3	16
<u>CORN BELT FRINGE AREAS</u>	624	70	6	5	19
Toledo General Farming	105	55	5	6	34
Kankakee River	49	78	4	4	14
Lower Labash River	85	65	5	15	15
Missouri Putnam Soils	111	67	5	14	14
Iowa Missouri Pasture	85	79	5	2	14
Maryville-Greenfield Livestock	129	68	5	6	21
Southern Minnesota	15	30	7	0	13
LaCrosse-Dubuque Livestock	45	67	9	2	22
<u>DAIRY AREAS</u>	239	54	4	10	32
Northeastern Ohio	66	59	6	15	20
Lake Michigan	115	50	3	10	37
East St. Louis	58	59	5	3	33
<u>GENERAL FARMING AREAS</u>	226	58	5	15	22
Southeastern Ohio	54	56	2	18	24
Southeastern Indiana	72	63	1	18	18
Southwestern Missouri Plains	100	60	10	11	19
<u>MISSOURI-ILLINOIS COTTON AREA</u>	1/ 15	33	27	7	33
REGIONAL TOTAL	1738	60	7	8	25

1/ March and April sales only.

Important market factors tending to minimize further price increases include high taxes, bond quotas, the confused post-war outlook and the deep impression made on the minds of all people by the deflation following the last war.

The immediate outlook is for a continuation of the upward trend in sales prices for land of comparable quality. It is not improbable that further value increases will be accompanied, or at least followed, by increases in the number of debt commitments of individuals in excess of their probable repayment ability.

Table 6. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, first quarter 1943, North Central Region. 2/

Area	Other New Mortgages by:					
	Purchase					
	Money	Ind.	FLB & Insurance	Commercial	FSF ^{2/}	
	Mtgs.		LBC Companies	Banks	others	
(percentages)						
<u>CORN BELT AREAS</u>	39	9	9	18	21	4
Central Indiana-Ohio	24	14	8	14	31	9
Illinois-Indiana Cash Grain	26	22	12	25	12	3
Illinois-Iowa Livestock	30	4	27	11	23	5
Central and Northern Iowa	44	5	3	22	24	2
Western Iowa	69	3	0	13	13	2
<u>CORN BELT PRINCIPAL AREAS</u>	42	26	6	2	20	4
Toledo General Farming	29	13	2	7	42	2
Kankakee River	44	15	11	4	22	4
Lower Wabash River	51	18	3	0	23	5
Missouri Putnam Soils	43	33	5	0	14	5
Iowa Missouri Pasture	57	11	10	1	12	9
Maryville-Greenfield Livestock	46	25	9	4	15	1
Southern Minnesota	33	56	0	0	11	0
LaCrosse-Dubuque Livestock	45	21	8	2	17	7
<u>DAIRY AREAS</u>	29	25	4	8	28	6
Northeastern Ohio	26	23	4	0	40	2
Lake Michigan	35	27	5	5	23	5
East St. Louis	14	14	0	29	29	14
<u>GENERAL FARMING AREAS</u>	42	16	2	0	38	2
Southeastern Ohio	42	16	0	0	42	0
Southeastern Indiana	37	6	0	0	57	0
Southwestern Missouri Plains	42	17	7	0	27	7
<u>MISSOURI-ILLINOIS COTTON AREA</u> ^{1/}	25	0	0	0	0	75
REGIONAL TOTAL	39	18	6	3	24	5

1/ March and April Transfers

2/ Percentages of total number of new mortgages on tracts conveyed.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

Grant County, Indiana
Rush County, Indiana
Tippecanoe County, Indiana
Darke County, Ohio
Madison County, Ohio

Illinois-Indiana Cash Grain

Champaign County, Illinois
Livingston County, Illinois
Logan County, Illinois

Illinois-Iowa Livestock

Knox County, Illinois
Ogle County, Illinois
Cedar County, Iowa

Central and Northern Iowa

Benton County, Iowa
Cerro Gordo County, Iowa
Palo Alto County, Iowa
Story County, Iowa

Western Iowa

Crawford County, Iowa
Montgomery County, Iowa

Corn Belt Fringe Areas

Toledo General Farming

Adams County, Indiana
Putnam County, Ohio
Seneca County, Ohio

Kankakee River

Noble County, Indiana

Lower Wabash River

Knox County, Indiana
Parke County, Indiana

Missouri Putnam

Audrain County, Missouri
Monroe County, Missouri

Iowa-Missouri Pasture

Clarke County, Iowa
Harrison County, Missouri

Maryville-Greenfield
Nodaway County, Missouri
Adair County, Iowa

Southern Minnesota
Steele County, Minnesota

LaCrosse-Dubuque
Fayette County, Iowa
Lafayette County, Wisconsin

Dairy Areas

Northeastern Ohio
Wayne County, Ohio
Medina County, Ohio

Lake Michigan
Brown County, Wisconsin
Jefferson County, Wisconsin
McHenry County, Illinois
Porter County, Indiana

East St. Louis
Clinton County, Illinois
Macoupin County, Illinois

General Farming Areas

Southeastern Ohio
Muskingum County, Ohio
Pike County, Ohio

Southeastern Indiana
Jennings County, Indiana
Ripley County, Indiana

Southwestern Missouri Plains
Johnson County, Missouri
Lawrence County, Missouri

Missouri-Illinois Cotton Area

Pemiscot County, Missouri

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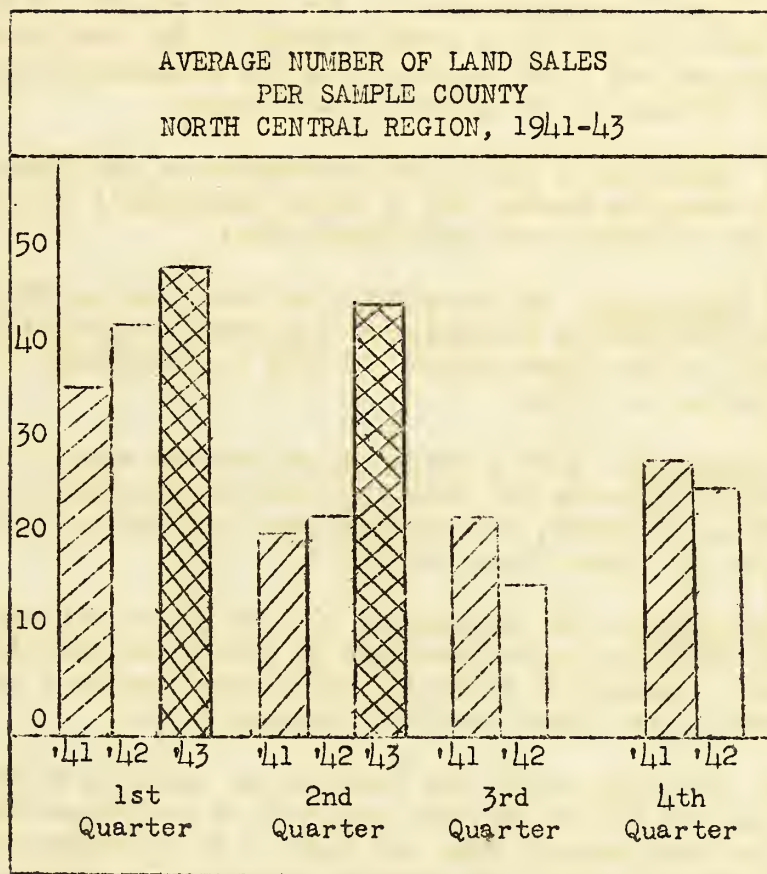
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WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

Second Quarter 1943



Milwaukee, Wisconsin

August 1943

Summary

Prices: Farm land sales prices were about 16 percent higher in the second quarter of 1943 than a year earlier, and about 28 percent above the level for the same period in 1941. The greatest increases in land prices appear to have occurred in the livestock areas and in areas near large industrial centers.

Volume: The volume of sales in this quarter was nearly double that of a year earlier. The greatest increases in volume were in the medium quality land areas.

Purchasers: The proportion of the farms purchased by farmers and the proportion of farms to be operated by the purchasers both decreased in comparison with the first quarter of 1943. Farmers will operate about seven-eighths of the land which they purchased and over one-fourth of the nonfarmers intend to do the farming on the land they purchased.

Sellers: Individuals sold about two-thirds of the tracts of farm land changing hands, and of those individuals selling land about one-third were owner-operators.

Mortgage Financing: The proportion of farm land purchased partially financed by mortgages or contracts decreased from 60 percent in the first quarter of 1943 to 52 percent in the second quarter of 1943.

Buyers' Equities: Down payments on properties where a mortgage was used in financing the sale increased to 39 percent of the sales price. However, the mortgage debt per acre on these properties was higher than in 1942.

Mortgage Lenders: The proportion of land sales financed by purchase money mortgages decreased by about one-third in the last year. Commercial banks and individuals together made two-thirds of the other new farm mortgage loans.

Outlook: The high demand for land can be expected to continue so long as the income and bank deposits of individuals are increasing more rapidly than the cost of the consumer goods available. Farm land prices may be expected to continue their upward trend so long as the demand remains at current or higher levels.



Table 1. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1941, 1942, and the first two quarters of 1943, North Central Region 1/

Area <u>2/</u>	: No. of : : : : : : change : sample : : : : : : : 2nd Quar : counties: 1941 <u>3/</u> : 1942 : Quarter: Quarter: : 43 over : for : : : 1943 : 1943 : 2nd Quar : 1942-43 : : : : : : 1942					
	Number	Dollars	Dollars	Dollars	Dollars	Percent
<u>CORN BELT AREAS</u>	16	89	98	112	112	15
Central Indiana-Ohio	5	82	87	98	100	22
Illinois-Indiana Cash Grain	3	124	139	144	153	12
Illinois-Iowa Livestock	3	84	93	106	113	18
Central and Northern Iowa	3	84	94	118	108	14
Western Iowa	2	67	68	79	75	14
<u>CORN BELT FRINGE AREAS</u>	18	48	53	62	62	19
Toledo General Farming	3	69	76	96	80	8
Kankakee River	2	53	58	70	63	21
Lower Wabash River	1	38	44	49	54	20
Missouri Putnam Soils	2	21	24	30	26	8
Iowa-Missouri Pasture	2	29	34	32	31	- 6
Maryville-Greenfield Livestock	2	54	53	55	60	15
Southern Minnesota	3	47	60	75	85	49
LaCrosse-Dubuque Livestock	3	47	50	52	57	19
<u>DAIRY AREAS</u>	7	68	72	87	82	15
Northeastern Ohio	2	70	79	80	95	27
Lake Michigan	3	71	76	99	84	10
East St. Louis	2	54	51	57	60	20
<u>GENERAL FARMING AREAS</u>	8	24	25	27	27	4
Southeastern Ohio	1	25	28	29	26	4
Southeastern Indiana	2	22	22	33	33	50
Southwestern Missouri Plains	1	29	26	30	33	27
Central Minnesota-Wisconsin	2	47	22	24	27	23
Red River Valley	2	47	24	26	24	- 17
<u>MISSOURI-ILLINOIS COTTON AREA</u>	1	78	93	94	117	41
REGIONAL TOTAL	50	60	64	73	73	16

- 1/ Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in the Appendix.
- 2/ Areas and subareas are given weights in averages according to their size.
- 3/ For 33 sample counties only.
- 4/ Not available.

WARTIME LAND MARKET SURVEY 1/
Second Quarter, 1943 2/-

Farm Land Prices Up 16 Percent in Year

The price paid per acre for farm land sold in the North Central Region during the second quarter of 1943 was 16 percent higher than in the second quarter of 1942. Prices paid were about 28 percent above the level for the comparable period of 1941. The average sales price in the second quarter of 1943 was about the same as in the first quarter, and sales prices seem to be following the same pattern as in 1941 and 1942, with prices holding relatively constant until the third or fourth quarter. (Figure 1)

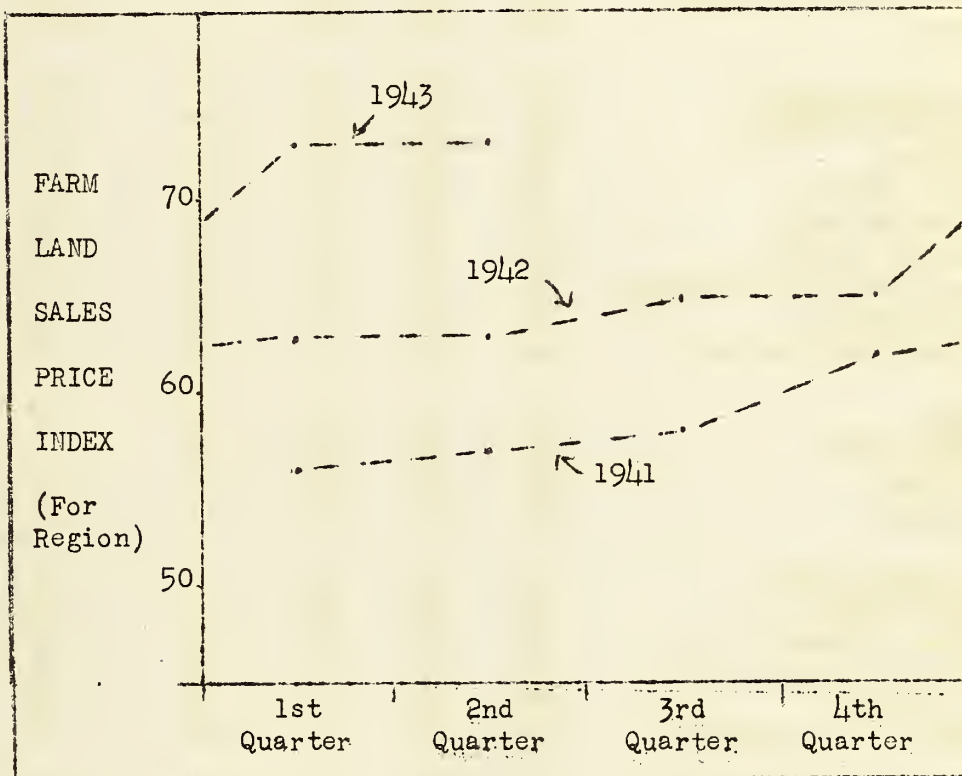


Figure 1. Weighted average price per acre of lands sold in sample counties, North Central Region, 1941-43

Sales records appear to indicate that a proportionally greater increase in sales prices has occurred in the highly productive and high priced land areas than in the areas of lower productivity and lower prices per acre.

- 1/ Assistance in collecting and tabulating the data for this survey was provided by the departments of agricultural economics in the Agricultural Experiment Stations in the States concerned.
- 2/ This report is the sixth in a series present current information on farm real estate activity in selected counties in the North Central States. The data include only bona fide transfers and were obtained from deed and mortgage records in the county recorders' offices. The information on buyers and sellers was obtained from local people in the various counties and was supplemented by mail questionnaires.

Table 2. Average number of recorded voluntary farm real estate sales per sample county 1942, and first two quarters of 1943, North Central Region ^{1/}

Area	1942 Quarters				1943 Quarters	
	1st	2nd	3rd	4th	1st	2nd
(Number)						
<u>CORN BELT AREAS</u>	43	20	17	17	54	38
Central Indiana-Ohio	39	31	25	30	66	50
Illinois-Indiana Cash Grain	41	17	20	19	48	27
Illinois-Iowa Livestock	47	23	16	16	53	30
Central and Northern Iowa	45	16	12	11	49	37
Western Iowa	40	14	16	9	62	50
<u>CORN BELT FRINGE AREAS</u>	48	20	13	25	53	42
Toledo General Farming	46	21	15	32	46	50
Kankakee River	39	26	15	21	36	26
Lower Wabash River	29	25	13	29	50	30
Missouri Putnam Soils	58	30	16	28	60	42
Iowa-Missouri Pasture	66	21	12	34	86	48
Maryville-Greenfield Livestock	95	16	18	18	97	69
Southern Minnesota	24	16	10	16	18	30
LaCrosse-Dubuque Livestock	40	15	9	23	50	35
<u>DAIRY AREAS</u>	40	32	22	28	39	51
Northeastern Ohio	50	58	28	42	54	91
Lake Michigan	42	24	20	26	36	37
East St. Louis	22	26	22	18	31	45
<u>GENERAL FARMING AREAS</u>	38	28	27	36	43	57
Southeastern Ohio	33	29	20	30	40	75
Southeastern Indiana	34	31	32	30	45	49
Southwestern Missouri Plains	47	36	34	54	90	89
Red River Valley	22	14	16	27	20	27
Central Minnesota-Wisconsin	66	46	51	48	54	73
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	15	19
<u>REGIONAL AVERAGE</u>	43	23	16	26	49	45

^{1/} Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated in the preceding month but recorded in that quarter of 1943.

Farm Land Sales Nearly Double 1942 Volume

The number of sales of farm land increased from an average of 23 tracts per county in the second quarter of 1942 to 45 tracts in the second quarter of 1943, an increase of 96 percent. (See Figure on cover)

All of the major areas showed large increases over the volume for 1942, and the Dairy, General Farming, and Cotton areas showed increases over the volume in the first quarter of 1943. In 1942 all areas had less sales in the second quarter than in the first quarter, the average for the region being 43 per county in the first quarter compared to 23 in the second quarter. In 1943 the volume of sales remained almost as high in the second quarter as in the first quarter, with an average of 49 tracts sold in the first quarter and 45 tracts sold in the second quarter. During both the first and second quarters of 1943, the areas with the greatest increases in volume correspond to those areas with the least increase in price. The relatively lower volume of sales in the Corn Belt and Corn Belt Fringe areas appears to be the result of few farms available for purchase rather than a limited number of prospective purchasers. Real estate men in these areas report that the number of farms listed for sale is becoming more and more limited even though sales prices have risen considerably.

Fewer Purchases by Farmers

In the second quarter of 1943 about 54 percent of the land purchasers expressed intentions of operating the land they purchased. This is a decided drop from 68 percent expressing intent to operate in the first quarter of 1943. The proportion of the purchases made by farmers dropped from 67 to 61 percent and the proportion of farmers purchasing with the intention of renting the land to others rose from 11 to 12 percent in the respective quarters of 1943.

The proportion of purchasers intending to operate increased in the Dairy areas from 64 percent for the first quarter of 1943 to 69 percent in the second quarter of 1943. In the Cotton area the increase was from 40 to 47 percent, while the proportion remained constant at 73 percent in the General Farming areas. Decreases from 61 to 50 percent occurred in the Corn Belt areas and from 75 to 70 percent in the Corn Belt Fringe areas.

Of the tracts of farm land purchased by farmers, tenants purchased 38 percent and owner-operators purchased 61 percent. Only a few purchases (less than one percent) were reported as being made by farm laborers.

Table 3. Farmers and nonfarmers buying farms and their intentions to operate or lease to others, second quarter 1943, North Central Region

Area	Total		Farmers		Nonfarmers	
	Number	Percent	To operate	To lease to others	To operate	To lease to others
	Number	Percent	Percent	Percent	Percent	Percent
<u>CORN BELT AREAS</u>	517	44	9	6	41	
Central Indiana-Ohio	200	51	9	13	27	
Illinois-Indiana Cash Grain	68	38	6	7	49	
Illinois-Iowa Livestock	68	42	6	2	50	
Central and Northern Iowa	83	41	11	2	46	
Western Iowa	98	53	13	6	28	
<u>CORN BELT FRINGE AREAS</u>	445	61	8	9	22	
Toledo General Farming	71	55	11	4	30	
Kankakee River	44	49	2	12	37	
Lower Wabash River	21	33	10	29	28	
Missouri Putnam Soils	70	61	9	11	19	
Iowa-Missouri Pasture	42	57	9	5	29	
Maryville-Greenfield Livestock	81	72	11	2	15	
Southern Minnesota	48	80	8	4	8	
LaCrosse-Dubuque Livestock	68	65	6	13	16	
<u>DAIRY AREAS</u>	176	52	4	17	27	
Northeastern Ohio	48	36	8	33	23	
Lake Michigan	72	58	0	13	29	
East St. Louis	56	52	12	11	25	
<u>GENERAL FARMING AREAS</u>	337	60	3	12	24	
Southeastern Ohio	100	50	1	8	41	
Southeastern Indiana	73	48	8	22	22	
Southwestern Missouri Plains	69	59	4	12	25	
Central Minnesota-Wisconsin	59	71	2	19	8	
Red River Valley	36	55	6	3	36	
<u>MISSOURI-ILLINOIS COTTON AREA</u>	15	40	20	7	33	
REGIONAL TOTAL	1490	54	7	10	29	

The proportion of land purchased by nonfarmers increased from 33 percent in the first quarter of 1943 to 39 percent for the second quarter of 1943, while the proportion of nonfarmers intending to become operators of the land they purchased rose from 24 to 26 percent of those nonfarmers purchasing land. The proportion of nonfarmers intending to operate the land they purchased was highest in the Dairy areas where 39 percent expressed this intention as compared to 13 percent in the Corn Belt areas, 29 percent in the Corn Belt Fringe, 35 percent in the General Farming areas, and 18 percent in the Cotton area. Many of these nonfarmers purchasing farms to operate are industrial workers who indicate their purchases are a place to which they can go when the war boom is over.

Two-thirds of Sales by Individuals

Individuals sold about 67 percent of the tracts of farm land changing hands during the second quarter of 1943 as compared to 62 percent during the same period in 1942. About one-third of these sales by individuals were made by the operators. Sales by estates made up 18 percent of the total in the second quarter of 1943 compared with 15 percent in the same period in 1942, while sales by corporations and public agencies decreased from 23 percent in the second quarter 1942 to 15 percent for the corresponding quarter in 1943.

Sales in the second quarter of 1943 by owner-operators were heaviest in the Dairy and Cotton areas and least important in the Corn Belt. Of the owner-operators who sold land, about two-fifths were retiring and 43 percent were either selling only a part of their farm or were selling all their farm and expected to buy or rent other farms which they would operate. Opportunities for employment in industry and other occupations caused 14 percent of these operators to sell, while two percent of the owner-operators sold prior to entering the armed forces.

Area	Intent of owner-operators after selling land			
	Continue to farm	Work at other civilian occupations	In armed forces	Retire
	(percentages)			
Corn Belt Areas	42	20	4	34
Corn Belt Fringe Areas	49	10	0	41
Dairy Areas	36	10	1	53
General Farming Areas	39	15	1	45
Cotton Area	56	11	0	33
REGION	43	14	2	41

Table 4. Types of owners selling farms, second quarter, 1943, North Central Region

Area	Type of seller					
	Total	Owner; transfers; classified	operator; Non-farmer; individual	Unclassified	Estates	Corporations and gov't.
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
<u>CORN BELT AREAS</u>	643	12	35	13	21	19
Central Indiana-Ohio	252	30	29	18	17	6
Illinois-Indiana Cash Grain	81	11	40	5	37	7
Illinois-Iowa Livestock	91	3	40	16	28	13
Central and Northern Iowa	120	7	35	17	12	29
Western Iowa	99	9	28	2	20	41
<u>CORN BELT FRINGE AREAS</u>	671	16	30	18	19	17
Toledo General Farming	99	11	39	11	27	12
Kankakee River	52	31	41	6	18	4
Lower Wabash River	30	23	23	34	17	3
Missouri Putnam Soils	85	21	27	10	27	15
Iowa-Missouri Pasture	96	7	19	24	10	40
Maryville-Greenfield Livestock	138	10	25	19	12	34
Southern Minnesota	66	21	33	21	14	11
LaCrosse-Dubuque Livestock	105	12	27	21	27	13
<u>DAIRY AREAS</u>	311	24	39	18	17	2
Northeastern Ohio	97	24	22	41	12	1
Lake Michigan	123	27	46	7	18	2
East St. Louis	91	15	37	28	19	1
<u>GENERAL FARMING AREAS</u>	556	16	25	31	15	13
Southeastern Ohio	150	28	22	33	15	2
Southeastern Indiana	97	34	27	20	15	4
Southwestern Missouri Plains	108	19	33	23	15	10
Central Minnesota-Wisconsin	147	12	19	42	11	16
Red River Valley	54	6	35	13	24	22
<u>MISSOURI-ILLINOIS COTTON AREA</u>	19	53	21	16	5	5
<u>REGIONAL TOTAL</u>	2200	16	32	19	18	15

Buyers' Equities Up

Equities of purchasers of land in the properties they purchased continue to increase. Purchasers paid cash for 48 percent of the tracts purchased, while 50 percent of the purchases were partially financed by mortgages and two percent were purchased on contracts. The increase in the proportion of cash purchases from 40 percent in the first quarter of 1943 to 48 percent in the second quarter apparently results from the increased savings and the increase in the proportion of farm land purchases by nonfarmers. For the second quarter of 1943, the equities of purchasers in properties where a mortgage or contract was involved in financing the sale were the highest since the beginning of the survey in 1941 and averaged 39 percent of the sales price as compared to 37 percent for the first quarter of 1943 and 35 percent for purchases in 1942. Buyers' equities in all properties deeded (including cash sales) during the second quarter of 1943 were 64 percent of the sales price as compared to 59 percent for the first quarter of 1943.

The mortgage debt per acre in properties where a mortgage was used in financing the purchase was about \$45 per acre as compared to \$46 per acre in the first quarter of 1943 and an average of \$42 per acre in 1942. The increase in down payments on mortgage-financed properties has been insufficient to offset the increase in land prices, and the mortgage debts per acre in properties changing hands continue to increase, these increases being especially noticeable in the better land areas of this region.

Tracts of farm land sold by retiring farmers and by farmers who expect to continue farming both averaged 82 acres per tract as compared to 92 acres for farmer-owners taking up other civilian occupations, and 47 acres for owner-operators joining the armed forces. This would appear to indicate that the few farmers entering the armed forces previously were on very small farms.

Fewer Purchase Money Mortgages

The proportion of farm land sellers who retained a lien on the property they sold as a part of the purchase price fell from about 19 percent for sales in the first quarter of 1943 to about 15 percent in the second quarter of 1943. During the same period in 1942, about 22 percent of the land sellers retained a mortgage in part payment for the land. In the second quarter of 1943, the sellers of land made 37 percent of the new mortgage loans as compared to 39 percent in the first quarter of 1943.

Table 5. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, second quarter, 1943

Area	: Total :		: Method of financing :		: Buyer's equity	
	: transfers :	: Cash :	: Purchase :	: In mort- :	: In all	
: classi- :	: Cash :	: and :	: con- :	: gaged :	: proper-	
: fied :	: sales :	: mort- :	: tracts :	: proper-	: ties	
:	:	: gage :	:	: ties 1/ :	: deeded	
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
<u>CORN BELT AREAS</u>	591	42	55	3	42	62
Central Indiana-Ohio	251	38	62	0	40	60
Illinois-Indiana Cash Grain	76	63	37	0	49	74
Illinois-Iowa Livestock	60	44	48	8	44	62
Central and Northern Iowa	109	35	65	0	42	59
Western Iowa	95	33	55	12	34	54
<u>CORN BELT FRINGE AREAS</u>	650	51	47	2	38	65
Toledo General Farming	97	59	41	0	42	73
Kankakee River	52	63	37	0	49	79
Lower Wabash River	29	48	52	0	47	73
Missouri Putnam Soils	81	53	47	0	26	46
Iowa-Missouri Pasture	93	49	51	0	29	56
Maryville-Greenfield Livestock	128	48	44	8	40	72
Southern Minnesota	66	42	56	2	35	57
LaCrosse-Dubuque Livestock	104	48	46	6	38	63
<u>DAIRY AREAS</u>	284	51	49	0	42	66
Northeastern Ohio	86	51	49	0	43	68
Lake Michigan	121	44	56	0	40	61
East St. Louis	77	77	23	0	45	82
<u>GENERAL FARMING AREAS</u>	496	53	46	1	36	63
Southeastern Ohio	126	50	50	0	43	65
Southeastern Indiana	94	49	51	0	41	66
Southwestern Missouri Plains	94	47	53	0	31	52
Central Minnesota-Wisconsin	131	50	47	3	32	59
Red River Valley	51	69	31	0	38	78
<u>MISSOURI-ILLINOIS COTTON AREA</u>	19	32	68	0	51	60
REGIONAL TOTAL	2040	48	50	2	39	64

1/ Includes purchase contracts.

Mortgage loans by others than the seller of the land totaled 63 percent of the new mortgages used in financing farm land transfers. Commercial banks made about 42 percent of these mortgages as compared to 25 percent of these loans made by individuals, 14 percent by insurance companies, 11 percent by the Farm Credit Administration, and 8 percent by the Farm Security Administration and others. Commercial banks, insurance companies, and the Farm Credit Administration all increased slightly the proportion of the new mortgage loans which they made during the second quarter of 1943 as compared to the first quarter of 1943, while the proportion of such loans made by individuals fell from 29 to 25 percent of the total.

Land Market Outlook Mixed

During the second quarter of 1943, the shortage of feed, less favorable livestock prices, and adverse weather conditions caused many people to revise downward their estimates of farm income for 1943. To some extent, these unfavorable factors may have been offset by the outlook for more machinery, an improvement in many areas in the labor situation, and increased confidence on the part of farmers that exports will hold up the demand for food after the end of the war.

Since the end of the quarter, the outlook for most crops has improved, ceilings on livestock have limited some farmers' expectations of increases in livestock prices but at the same time livestock prices have risen somewhat above the lower levels current during part of the second quarter of 1943. The feed situation remains tight and discouraging to livestock feeders, but this has been offset, in part, by a better outlook for cash grain farmers. What on the part of some people appears to be "overoptimism" that the war will soon be over is coupled with the "overpessimism" that the end of the war will be immediately followed by a break in prices. The farmer's cash income outlook is for a new record high with the ratio of prices received to prices paid continuing in the farmer's favor.

On the whole, it would appear that the trend of land prices will continue upward during at least the next six months or year. It is highly possible that with present guaranteed minimum prices and a continued high demand for food, the demand for land from both farmers and nonfarmers will cause the rate of increase in the price of land to be accelerated and land prices may continue to rise even after the end of the war. The returning soldiers wishing to farm will then add their support to land prices by increasing the demand for land.

Table 6. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, second quarter, 1943, North Central Region 1/

Area	Other new mortgages by					
	Purchase	Individ-	FLB	Insur-	Com-	FSA
	money	uals	&	ance	mercial	and
	mortgages	:	:	:	:	:
	2/	:	LBC	co.	banks	others
(percentages)						
<u>CORN BELT AREAS</u>	38	10	9	18	21	4
Central Indiana-Ohio	20	17	5	15	28	15
Illinois-Indiana Cash Grain	29	8	4	34	21	4
Illinois-Iowa Livestock	40	15	18	9	15	3
Central and Northern Iowa	48	4	8	17	23	0
Western Iowa	54	8	11	11	15	0
<u>CORN BELT FRINGE AREAS</u>	43	18	8	6	23	2
Toledo General Farming	26	9	0	15	50	0
Kankakee River	31	31	15	0	15	8
Lower Wabash River	22	22	0	11	45	0
Missouri Putnam Soils	43	14	17	0	20	6
Iowa-Missouri Pasture	68	18	8	0	3	3
Maryville-Greenfield Livestock	61	13	9	6	9	2
Southern Minnesota	44	20	13	10	13	0
LaCrosse-Dubuque Livestock	46	21	4	2	25	2
<u>DAIRY AREAS</u>	32	22	10	6	28	2
Northeastern Ohio	22	22	2	0	52	2
Lake Michigan	42	29	9	0	18	2
East St. Louis	8	0	23	38	31	0
<u>GENERAL FARMING AREAS</u>	33	19	3	0	34	11
Southeastern Ohio	21	23	0	0	29	27
Southeastern Indiana	30	10	3	0	57	0
Southwestern Missouri Plains	20	28	20	0	30	2
Central Minnesota-Wisconsin	40	14	0	0	42	4
Red River Valley	42	17	0	0	25	16
<u>MISSOURI-ILLINOIS COTTON AREA</u>	0	33	0	17	33	17
REGIONAL TOTAL	37	16	7	9	26	5

1/ Percentages of total number of new mortgages on tracts conveyed.

2/ Includes contracts.

The tremendous supply of purchasing power now in the hands of individuals plus the current high rate of savings indicates an increased demand for investment opportunities. The success of government efforts to divert these funds to war bonds and taxes rather than farm land and other equity securities will play a large part in determining the demand and the future price of land.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

Grant County, Indiana
Rush County, Indiana
Tippecanoe County, Indiana
Darke County, Ohio
Madison County, Ohio

Illinois-Indiana Cash Grain

Champaign County, Illinois
Livingston County, Illinois
Logan County, Illinois

Illinois-Iowa Livestock

Knox County, Illinois
Ogle County, Illinois
Cedar County, Iowa

Central and Northern Iowa

Benton County, Iowa
Cerro Gordo County, Iowa
*Palo Alto County, Iowa
Story County, Iowa

Western Iowa

Crawford County, Iowa
Montgomery County, Iowa

Corn Belt Fringe Areas

Toledo General Farming
Adams County, Indiana
Putnam County, Ohio
*Seneca County, Ohio

Kankakee River

Noble County, Indiana
Newton County, Indiana

Lower Wabash River

*Knox County, Indiana
Parke County, Indiana

Missouri Putnam

Audrain County, Missouri
Monroe County, Missouri

* Omitted this quarter.

Iowa-Missouri Pasture
Clarke County, Iowa
Harrison County, Missouri

Maryville-Greenfield
Nodaway County, Missouri
Adair County, Iowa

Southern Minnesota
Steele County, Minnesota
Cottonwood County, Minnesota
McLeod County, Minnesota

LaCrosse-Dubuque
Fayette County, Iowa
Lafayette County, Wisconsin
Winona County, Minnesota

Dairy Areas

Northeastern Ohio
*Wayne County, Ohio
Medina County, Ohio

Lake Michigan
Brown County, Wisconsin
Jefferson County, Wisconsin
McHenry County, Illinois
*Porter County, Indiana

East St. Louis
Clinton County, Illinois
Macoupin County, Illinois

General Farming Areas

Southeastern Ohio
Muskingum County, Ohio
Pike County, Ohio

Southeastern Indiana
Jennings County, Indiana
Ripley County, Indiana

Southwestern Missouri Plains
*Johnson County, Missouri
Lawrence County, Missouri

Central Wisconsin-Minnesota
Barron County, Wisconsin
Morrison County, Minnesota

Missouri-Illinois Cotton Area
Pemiscot County, Missouri

* Omitted this quarter.

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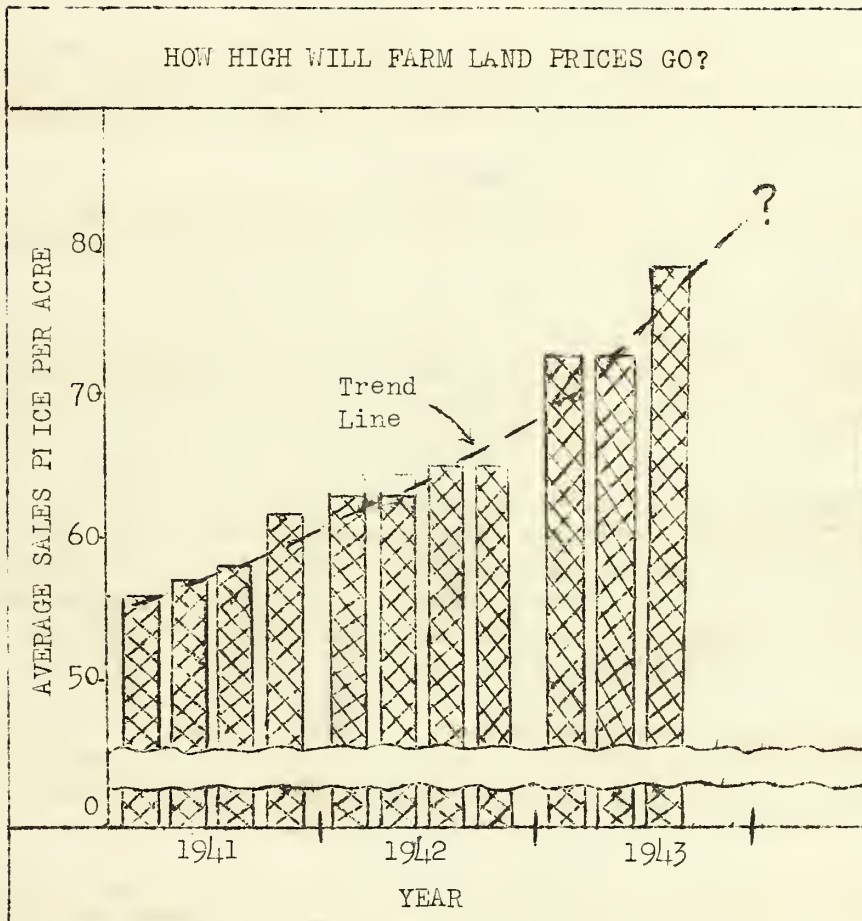
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WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

Third Quarter 1943



By
George H. Walter
Associate Agricultural Economist

Milwaukee, Wisconsin
November 1943

NOV 12 1943

Summary

Prices: In the North Central Region prices for farm land sold in the third quarter of 1943 were about 8 percent above the average for the previous three month period and about 21 percent above those of a year earlier. Sales prices are now about 41 percent above the January 1, 1941 level. Prices appear to have advanced more rapidly in the central and eastern than in the western part of the region.

Resales: About 7 percent of the lands which have been purchased in the last two and one half years have been resold by the purchaser. Resale prices indicated that the sale prices of these tracts advanced slightly more rapidly than the average sales price of all lands sold in the sample counties.

Volume: The volume of transfers continue to be higher than for 1941 or 1942. Volume was about double that for the comparable period in 1942 and 135 percent of that for 1941. Volume of transfers was lowest in the high value land areas.

Purchasers: Farmers purchased only 55 percent of the lands transferred in this quarter as compared to 63 percent for the same quarter of 1942.

Sellers: The proportion of the total sales of farmland by classes of sellers has remained about constant throughout 1943 with two-thirds of the sales being made by individuals and the remainder about equally divided between estates and corporations.

Mortgage Financing: For the first time since the start of the survey, over half of the transactions have been cash purchases. Mortgages were used to finance only 46 percent of the sales and contracts were obtained on 2 percent. Farm mortgage debt per acre on mortgaged properties continued to rise, averaging \$47 per acre as compared to \$46 per acre in the previous quarter.

Buyers Equities: Down payments on properties where a mortgage or contract was used in financing the sale increased to 41 percent of the sales price as compared to 39 percent in the previous quarter and 36 percent a year earlier.

Mortgage Lenders: The proportion of mortgage loans made by sellers rose to 40 percent of the total new mortgages. Individuals and Commercial Banks each made 35 percent of the other new mortgage loans. The proportion of new loans made by the Farm Credit Administration and Insurance Companies continued to decrease.

Mortgage Terms: Mortgage interest rates averaged 4.36 percent. However, over half of the loans bore interest rates of 5 percent or higher. Over half of the mortgage loans were made for 5 years or less and all loans averaged only about 7 years in length. Only 15 percent of the loans provide for full amortization and 32 percent require some regular payment on the principal.



FIGURE 1.-- MAJOR LAND MARKET SURVEY AREAS AND SAMPLE COUNTIES, NORTH CENTRAL REGION.

Table 1. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1941, 1942, and the first three quarters of 1943, North Central Region ^{1/}

Area <u>2/</u>	: No. of :	:	:	1943 quarters			: Change
	: sample :	:	:	:	:	:	: 3rd quarter
	: counties: 1941: 1942:	:	:	:	:	:	: 1943 over
	: for : <u>3/</u> :	:	:	1st :	2nd :	3rd :	: 3rd quarter
	: 1942-43 :	:	:	:	<u>4/</u> :	:	: 1942
	Number	Dollars					Percent
CORN BELT AREAS	17	89	98	112	110	119	19
Central Indiana-Ohio	5	82	87	98	100	96	5
Illinois-Indiana Cash Grain	3	124	139	144	153	167	17
Illinois-Iowa Livestock	3	84	93	106	113	120	26
Central and Northern Iowa	4	84	94	118	104	118	30
Western Iowa	2	67	68	79	75	82	5
CORN BELT FRINGE AREAS	19	48	53	62	63	64	14
Toledo General Farming	3	69	76	96	89	90	20
Kankakee River	2	53	58	70	68	74	30
Lower Wabash River	2	38	44	49	54	58	23
Missouri Putnam Soils	2	21	24	30	26	33	27
Iowa-Missouri Pasture	2	29	34	32	31	38	31
Maryville-Greenfield Livestock	2	54	53	55	60	64	8
Southern Minnesota	3	<u>5/</u>	60	75	85	81	33
LaCrosse-Dubuque Livestock	3	<u>5/</u>	50	52	57	44	- 31
DAIRY AREAS	8	68	72	87	81	94	32
Northeastern Ohio	2	70	79	80	88	94	27
Lake Michigan	4	71	76	99	85	102	38
East St. Louis	2	54	51	57	60	66	22
GENERAL FARMING AREAS	10	24	25	27	27	30	30
Southeastern Ohio	2	25	28	29	26	26	4
Southeastern Indiana	2	22	22	33	33	31	41
Southwestern Missouri Plains	2	29	26	30	32	42	50
Central Minnesota-Wisconsin	2	<u>5/</u>	22	24	27	31	48
Red River Valley	2	<u>5/</u>	24	26	24	28	33
MISSOURI-ILLINOIS COTTON AREA	1	78	93	94	117	155	52
REGIONAL TOTAL	55	60	64	73	73	79	21

^{1/} Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in the Appendix.

^{2/} Areas and subareas are given weights in averages according to their size.

^{3/} For 33 sample counties only.

^{4/} Revised.

^{5/} Not available.

WARTIME LAND MARKET SURVEY 1/
Third Quarter, 1943 2/-

Introduction

The current land market conditions closely resemble the situation at the outbreak of the land values boom of 1919-1920. Land prices are rising rapidly. Again we find farmers and city people bidding against each other and among themselves for farm land. Farm incomes have reached a new peak as they did in 1919. Demand for farm products again exceeds output, and the outlook is for at least two or three years of continued high demand. There are far more potential buyers than willing sellers at current prices. Many of the farm sellers are selling with the intention of purchasing other land. Both farmers and city people are mortgaging the property they buy and other property which they own in order to acquire title to more land. Over half of the new mortgages are being made for terms of five years or less. One half of the new mortgage loans bear 5 to 8 percent interest rates, and the average mortgage debt per acre on newly mortgaged farm land is increasing.

It appears that the results of the land boom of 1919-1920 have been forgotten or are being ignored by a new generation of land buyers attracted to farm land by the current high incomes and the chance for large profits. Some of the demand for farm land also comes from people wishing to change their investments from equities to real property as a hedge against inflation resulting from wartime spending and from demands of pressure groups interested in improving their relative position in the national economy. Still other purchasers want land as a home and a place of security in case of what they expect to be a severe post-war depression. Many other potential land purchasers who now have high wartime incomes want to purchase farms as "retirement homes" for after the war. Most dangerous of all, however, are the farmers and city people who wish to buy land with hopes of making a "big profit" either from resale of the land or from continued high farm incomes. Too many people, especially in this latter group, are able to pay only a small part of the purchase price and are mortgaging this land (and sometimes other property as well) for most of the purchase price.

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- 1/ Assistance in collecting and tabulating the data for this survey was provided by members of the departments of agricultural economics in Illinois, Indiana, Iowa, Missouri, Minnesota, and Ohio, and by members of the B.A.E. staff.
 - 2/ This report is the seventh in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only bona fide sales transfers and were obtained from deed and mortgage records in local county recorders' offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.

Current conditions indicate that unless immediate steps are taken to strengthen public confidence that the government will prevent further general inflation, a further boom in land values appears imminent and inevitable. Special legislation to control land values will most likely fail unless it is included in a much broader program for stabilizing our entire national price structure.

Land Prices Rising Rapidly

The average sales price of farm lands sold in the third quarter of 1943 in the sample counties of the North Central Region was 8 percent above the level for the previous quarter and 21 percent above the level of a year earlier. The greatest increases in price occurred in the Cotton, Dairy, and General Farming areas. (Table 1)

Twenty one of the twenty two subareas had higher average sales prices than a year ago and in nine of these subareas the sales prices were 30 percent or more above the level of a year earlier. Land prices in livestock areas appear to have advanced more rapidly than in grain farming areas. A large percent of the land in the best cash grain and livestock farming areas is now selling at over \$200 per acre for high quality, unimproved land. An unimproved 160-acre tract in Knox County, Illinois was sold for \$275 per acre while an 80-acre tract in Champaign County, Illinois was reported to have been sold for \$285 per acre.

Few Resales of Farm Land 3/

A study of the rapidity of resales and of the changes which occur in sales prices between sales serves as one method of measuring changes in the amount of speculative activity and price level in the land market. A high and increasing number of quick resales indicates an increase in speculation, and high profits on such resales often cause a bullish effect in the land market far outweighing their importance as measured by volume.

Records of tracts of farm land sold two or more times since January 1, 1941 in 15 sample counties indicate that about seven percent of the lands purchased within the period in these sample counties were resold by the purchasers. 4/ Only 12 out of about

3/ Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once during the two and one-half year period. Purchase and sales prices were used in determining the change in price or gross profit of the seller. It should be recognized that sales costs have not been taken into account in computing profit.

4/ See Appendix for a list of the 15 counties included in this special summary.

5,000 tracts changing hands were resold twice in the period and none was transferred more than twice. This compares with about 14 percent of all land in farms changing hands at least once during this period. The rate of resale in the first half of 1943 was above the rate for 1941 but below the 1942 level. (Table 2)

Table 2. Number of resales of farm land purchased since January 1, 1941, 15 sample counties, North Central Region, 1941-1943

Date of resale in:	Total sales	Number of resales by months between purchase and resale				
		0 - 6	7 - 12	13-18	19-24	25-36
1st half 1941	1099	25				
2nd half 1941	941	26	16			
1st half 1942	1134	54	23	7		
2nd half 1942	718	28	19	16	3	
1st half 1943	1442	50	24	23	19	12

Tracts purchased and resold were usually resold within six months or a year. While a few resales were made at a loss, the average indicates an increase in sales price of 25 percent for purchases held for one year or more. The rate of increase in values is best indicated by the increase in sales price of tracts held six months or less. These were sold for an average of five percent above the purchase price for those resold in 1941, 10 percent for those resold in 1942, and 17 percent for those resold during the first half of 1943. (Table 3)

Table 3. Percentage increase in the value of tracts purchased and resold since January 1, 1941, 15 sample counties, North Central Region, 1941-1943

Date of resale in:	Total sales	Percentage profit on resales by months between purchase and resale				
		0-6	7-12	13-18	19-24	25-36
1st half 1941	1099	5				
2nd half 1941	941	5	11			
1st half 1942	1134	10	18	8		
2nd half 1942	718	9	30	19	25	
1st half 1943	1442	17	21	25	25	23

Table 4. Average number of recorded voluntary farm real estate sales per sample county 1942, and first three quarters of 1943, North Central Region ^{1/}

Area	1942 quarters				1943 quarters		
	1st	2nd	3rd	4th	1st	2nd 2/	3rd
Number							
<u>CORN BELT AREAS</u>	43	20	17	17	54	39	22
Central Indiana-Ohio	39	31	25	30	66	50	39
Illinois-Indiana Cash Grain	41	17	20	19	48	27	18
Illinois-Iowa Livestock	47	23	16	16	53	30	13
Central and Northern Iowa	45	16	12	11	49	40	18
Western Iowa	40	14	16	9	62	50	23
<u>CORN BELT FRINGE AREAS</u>	48	20	13	25	53	42	29
Toledo General Farming	46	21	15	32	46	51	26
Kankakee River	39	26	15	21	36	26	20
Lower Wabash River	29	25	13	29	50	44	40
Missouri Putnam Soils	58	30	16	28	60	42	32
Iowa-Missouri Pasture	66	21	12	34	86	48	32
Maryville-Greenfield Livestock	95	16	18	18	97	69	44
Southern Minnesota	24	16	10	16	18	30	25
LaCrosse-Dubuque Livestock	40	15	9	23	50	35	25
<u>DAIRY AREAS</u>	40	32	22	28	39	47	38
Northeastern Ohio	50	58	28	42	54	69	57
Lake Michigan	42	24	20	26	36	39	30
East St. Louis	22	26	22	18	31	45	38
<u>GENERAL FARMING AREAS</u>	38	28	27	36	43	57	46
Southeastern Ohio	33	29	20	30	40	75	62
Southeastern Indiana	34	31	32	30	45	49	54
Southwestern Missouri Plains	47	36	34	54	90	88	72
Red River Valley	22	14	16	27	20	27	14
Central Minnesota-Wisconsin	66	46	51	48	54	73	67
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	15	19	17
REGIONAL AVERAGE	43	23	16	26	49	45	31

^{1/} Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated in the preceding month but recorded in that quarter of 1943.

^{2/} Revised.

These data appear to indicate that the price of tracts resold advanced only slightly more rapidly than the average of all lands sold in the region. The price of tracts purchased in the first half of 1941 and resold about a year later increased an average of 12 percent compared to an increase in average sales price of 10 percent. Sales price of tracts purchased in the first half of 1942 and resold about a year later increased 21 percent compared to a 16 percent increase in general sales price. Since most purchases which are resold are at least partially the result of purchases at below average price or sales at above average price, it would appear normal to expect the margin between purchase and sales price on land resold to be somewhat greater in both periods than the actual average increase in land values.

Volume Remains High

The volume of farm land sales was about double that for the comparable period in 1942 and about 35 percent above the 1941 level. The usual seasonal decline in the number of sales was apparent, but the volume throughout 1943 continues to be at higher levels than for either 1941 or 1942. (Table 5)

Table 5. Average number of farm land transfers per county, by quarters, sample counties, North Central Region

Year	Quarters			
	1st	2nd	3rd	4th
	(Number)			
1941	36	22	23	29
1942	43	23	16	26
1943	49	45	31	

The greatest increase in volume of transfers was in the counties with land values below the average for the region. In those areas where land values are high and have made the greatest advances, the volume of sales has fallen markedly. (Table 4) The volume of transfers was slightly lower than in the previous quarter in all the major areas with the greatest drop occurring in the Corn Belt areas.

Fewer Purchases by Farmers

Farmers purchased 55 percent of the tracts of farm land changing hands during the third quarter of 1943 in the 55 sample counties as compared to 63 percent in the comparable quarter of 1942. The increase in the proportion of properties purchased by non-farmers was greatest in the dairy areas where nearly two fifths of the nonfarmer purchasers expressed their intention of operating the land which they had purchased. (Table 6)

Table 6. Farmers and nonfarmers buying farms and their intentions to operate or lease to others, third quarter 1943, North Central Region

Area	Total transfers: classified: Number	Farmers		Nonfarmers	
		To	To lease:	To	To lease
		operate	to	operate	to
		others	others	others	others
		Percent			
<u>CORN BELT AREAS</u>	314	46	6	8	40
Central Indiana-Ohio	160	61	5	9	25
Illinois-Indiana Cash Grain	42	28	21	9	42
Illinois-Iowa Livestock	28	28	6	6	60
Central and Northern Iowa	38	49	0	10	41
Western Iowa	46	66	7	0	27
<u>CORN BELT FRINGE AREAS</u>	327	53	10	9	28
Toledo General Farming	42	34	17	21	28
Kankakee River	30	56	6	8	30
Lower Wabash River	46	61	5	8	26
Missouri Putnam Soils	52	42	10	16	32
Iowa-Missouri Pasture	43	60	7	4	29
Maryville-Greenfield Livestock	42	52	8	4	36
Southern Minnesota	40	67	16	6	11
LaCrosse-Dubuque Livestock	32	48	8	4	40
<u>DAIRY AREAS</u>	209	42	2	21	35
Northeastern Ohio	52	41	2	34	23
Lake Michigan	95	41	0	19	40
East St. Louis	62	46	9	11	34
<u>GENERAL FARMING AREAS</u>	286	46	5	15	34
Southeastern Ohio	78	33	7	17	43
Southeastern Indiana	84	49	3	18	30
Southwestern Missouri Plains	42	55	2	3	40
Central Minnesota-Wisconsin	68	44	3	25	28
Red River Valley	14	56	11	0	33
<u>MISSOURI-ILLINOIS COTTON AREA</u>	16	56	25	0	19
<u>REGIONAL TOTAL</u>	1152	48	7	11	34

The proportion of land purchased by non-operators and nonfarmers is the largest found for any quarter since the beginning of the survey in 1941. The trend in 1943 and previous years appears to indicate a gradual and continuing increase in the proportion of farm property purchased to lease. (Table 7)

Table 7. Proportion of tracts of farm land purchased, by occupation and intent of purchaser, sample counties, North Central Region, 1943

1943	Farmers		Nonfarmers	
	To operate	To lease to others	To operate	To lease to others
	(Percent)			
1st quarter	60	7	8	25
2nd quarter	54	7	10	29
3rd quarter	48	7	11	34

Answers to questionnaires indicate that a part of the purchases by nonfarmers who are going to operate the land and of the purchases by farmers to operate with family labor or to lease to relatives was made with the intent of placing the operator or a member of his family in a job which is considered as "essential and deferrable" by local selective service officials. On the basis of these replies, it would appear that any change in the regulations with regard to the deferrability of farm operators may have an effect on the demand for land.

Farm Land is Being Purchased for Soldiers

Answers to questionnaires indicate that already a number of soldiers discharged by the Army have purchased farms. Some soldiers still in the Army have also purchased farm land with savings and through allotments of their pay. In addition, a large number of the farmer-parents of soldiers have purchased farms for the use of their sons when they return after the war. It appears that an important part of the demand for farms for the use of soldiers after the war is a current demand rather than a post-war demand.

If the government is to encourage and assist farm boys or others now in the Armed Forces to obtain farms in areas where suitable farms are available, it would appear imperative to start such a program immediately. Many soldiers now in the Army would profit by government assistance (through loans and advice) in financing farm purchases which they are currently making or are currently being made for them. By limiting the land purchasers eligible for special soldier loans to those purchases of farms which meet desirable size, income-producing ability, and are at prices commensurate with income, the government may be able to help many soldiers to avoid paying too much for land, paying excessive financing charges, and settling on undesirably located and unproductive farms.

Table 8. Types of owners selling farms, third quarter 1943, North Central Region

Area	Type of seller					
	Total	Owner	Unclass-	Corpor-		
	transfers	oper-	Non-	ified	Estates	ations
	classified	ator	farmer	individ-		and
	Number			uals		gov't.
CORN BELT AREAS	403	13	39	12	19	17
Central Indiana-Ohio	193	25	35	7	17	16
Illinois-Indiana Cash Grain	54	13	46	9	26	6
Illinois-Iowa Livestock	40	15	50	15	15	5
Central and Northern Iowa	70	7	31	19	16	27
Western Iowa	46	7	35	0	30	28
CORN BELT FRINGE AREAS	547	15	31	23	15	16
Toledo General Farming	79	15	27	34	20	4
Kankakee River	39	26	33	15	18	8
Lower Wabash River	80	23	37	14	9	17
Missouri Putnam Soils	65	34	32	15	8	11
Iowa-Missouri Pasture	65	8	39	18	3	32
Maryville-Greenfield Livestock	88	11	26	18	16	29
Southern Minnesota	76	18	25	41	13	3
LaCrosse-Dubuque Livestock	55	5	35	14	24	22
DAIRY AREAS	309	27	32	21	14	6
Northeastern Ohio	113	19	19	48	12	2
Lake Michigan	120	33	33	14	14	6
East St. Louis	76	16	47	12	14	11
GENERAL FARMING AREAS	507	14	27	25	17	17
Southeastern Ohio	123	18	28	30	23	1
Southeastern Indiana	108	35	32	16	13	4
Southwestern Missouri Plains	145	10	22	42	9	17
Central Minnesota-Wisconsin	104	15	30	11	14	30
Red River Valley	27	8	22	33	22	15
MISSOURI-ILLINOIS COTTON AREA	17	41	59	0	0	0
REGIONAL TOTAL	1783	16	33	19	17	15

No Change in Type of Sellers

For the region as a whole, the proportion of the sales of farm land made by the various categories of sellers was practically the same as for the previous quarter with two thirds of the sales being made by individuals. (Table 8) Compared with a year earlier, the percent of the sales by estates fell from 19 to 17, and the percent made by corporations fell from 17 to 15. Non-operators made about two thirds of the sales by individuals in the third quarter of 1943 as compared to about three fifths made by this group in the comparable period of 1942.

Sales by owner-operators again were heaviest in the Dairy and Cotton areas and lowest in the Corn Belt areas. The proportion of the total sales by individuals who were landlords increased in all but the Dairy areas. The proportion of the sales of land by retired farmer-landlords appears to be increasing while sales by non-resident absentee landlords are decreasing in number. The proportion of the sales by estates and corporations increased slightly in Dairy and General Farming areas but fell in all other areas.

Most Farmers Selling Land Will Continue Farming

Over half of the owner-operators who sold the land which they had previously been farming expect to continue farming. A decreasing proportion (10 percent as compared to 14 percent last quarter) sold their land in order to take up work in other civilian occupations and only one percent sold out in order to join the Armed Forces. (Table 9)

Table 9. Intention of owner-operators who recently sold land, sample counties, third quarter 1943, North Central Region

Area	Intent of owner-operators after selling land			
	Continue:	Work at other	In Armed:	Retire
	to farm	civilian occupations	Forces	
	Percent			
Corn Belt Areas	48	11	2	39
Corn Belt Fringe Areas	56	6	0	38
Dairy Areas	44	8	0	48
General Farming Areas	50	14	1	35
Cotton Area	72	14	0	14
REGION	51	10	1	38

Table 10. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, third quarter 1943

Area	: Total : Method of financing : Buyer's equity					
	: transfers :	: Cash :	: Purchase :	: In mort- :	: In all :	
	: classi- :	: Cash : and :	: con- :	: gaged :	: proper- :	
	: fied :	: sales :	: mort- :	: tracts :	: proper- :	: ties :
	:	: gage :	:	: ties 1/ :	: dedeed :	
	Number	Percent				
<u>CORN BELT AREAS</u>	401	50	48	2	44	68
Central Indiana-Ohio	193	38	61	1	38	59
Illinois-Indiana Cash Grain	54	78	22	0	49	89
Illinois-Iowa Livestock	40	57	43	0	48	72
Central and Northern Iowa	70	40	57	3	45	63
Western Iowa	44	48	48	4	34	58
<u>CORN BELT FRINGE AREAS</u>	542	49	48	3	39	63
Toledo General Farming	79	46	54	0	37	58
Kankakee River	39	33	67	0	61	69
Lower Wabash River	80	61	39	0	53	76
Missouri Putnam Soils	63	44	56	0	39	66
Iowa-Missouri Pasture	62	48	50	2	26	53
Maryville-Greenfield Livestock	88	65	27	8	38	76
Southern Minnesota	76	50	45	5	34	60
LaCrosse-Dubuque Livestock	55	46	47	7	35	57
<u>DAIRY AREAS</u>	309	50	50	0	46	68
Northeastern Ohio	113	54	46	0	47	76
Lake Michigan	120	44	56	0	45	61
East St. Louis	76	66	34	0	48	81
<u>GENERAL FARMING AREAS</u>	507	60	38	2	36	70
Southeastern Ohio	123	69	31	0	43	74
Southeastern Indiana	108	47	53	0	48	71
Southwestern Missouri Plains	145	56	43	1	37	65
Central Minnesota-Wisconsin	104	54	40	6	30	66
Red River Valley	27	67	33	0	36	76
<u>MISSOURI-ILLINOIS COTTON AREA</u>	17	47	53	0	36	52
<u>REGIONAL TOTAL</u>	1776	52	46	2	41	67

1/ Includes purchase contracts.

Many Sellers Intend to Purchase Other Land

From answers received to questionnaires, it appears that about one half of the farmers who recently sold land and who expect to continue farming expressed the intention of purchasing other land to replace that sold. Many of the nonfarmers who sold one or more tracts of land also expressed the desire to purchase other farm land.

It appears highly disadvantageous for farmers or others to undertake to change property holdings at this time since, in most cases, they will find it necessary to pay more for land which they purchase than they obtained for the land which they sold. Such trading of farms is also likely to have a decidedly inflationary effect in the land market.

Farms Held on Average of 13 Years 5/

A group of 84 persons who sold land in 1943 giving information on how and when they acquired the farm land which they had recently sold reported that on the average they had held the farms about 13 years. Of this limited sample, two were acquired prior to 1900, nine prior to 1917, and 23 prior to 1927. Of the group of properties acquired prior to 1922, 12 of the 19 were reported to have been acquired through purchase by the seller. Of the property acquired in the period 1927-1930, however, only one half of the lands recently sold had been purchased by the seller and since 1936, 22 out of 35 tracts sold had been purchased by the seller.

Persons selling land acquired between 1900 and 1926 generally sold their land for less than the purchase price, while nearly all of the persons selling land which they had purchased since 1927 showed some profit on the sales. Ten sales of land purchased in 1941 or since showed an average increase in sales price of 18 percent compared to an average increase of 25 percent on 12 sales of land purchased in the period 1936-1940.

More Cash Sales

For the first time since the start of the survey, over half of the purchasers were able to pay for the land they bought without borrowing on the land. (Table 10) The proportion of the total purchases which were paid for without mortgage or contract financing

5/ It is hoped that questionnaires will make it possible to obtain more adequate information on the relationship between type of people selling land, method of acquisition, and how long people hold title to farm property. As larger samples of such transfers with purchase date and price become available, they may provide additional information on trends of farm real estate prices.

Table 11. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, third quarter 1943, North Central Region ^{1/}

Area	Other new mortgages by					
	Purchase	Individ-	FLB	Insur-	Com-	FSA
	money	uals	&	ance	mercial	and
	2/		LBC	co.	banks	others
	Percent					
<u>CORN BELT AREAS</u>	40	17	5	20	16	2
Central Indiana-Ohio	31	10	6	12	36	5
Illinois-Indiana Cash Grain	40	17	13	23	7	0
Illinois-Iowa Livestock	54	9	4	29	4	0
Central and Northern Iowa	35	29	0	19	13	4
Western Iowa	47	5	5	19	24	0
<u>CORN BELT FRINGE AREAS</u>	45	20	4	4	23	4
Toledo General Farming	24	17	0	6	53	0
Kankakee River	64	4	7	4	21	0
Lower Wabash River	50	20	0	0	30	0
Missouri Putnam Soils	32	45	0	0	23	0
Iowa-Missouri Pasture	65	10	0	0	13	12
Maryville-Greenfield Livestock	68	24	0	4	4	0
Southern Minnesota	36	35	2	7	20	0
LaCrosse-Dubuque Livestock	33	13	21	4	17	12
<u>DAIRY AREAS</u>	31	22	2	3	29	13
Northeastern Ohio	30	13	0	0	28	29
Lake Michigan	31	31	2	5	22	9
East St. Louis	32	0	4	0	57	7
<u>GENERAL FARMING AREAS</u>	38	27	1	0	22	12
Southeastern Ohio	34	10	0	0	8	48
Southeastern Indiana	35	12	3	0	47	3
Southwestern Missouri Plains	41	23	6	0	30	0
Central Minnesota-Wisconsin	20	8	0	0	70	2
Red River Valley	50	50	0	0	0	0
<u>MISSOURI-ILLINOIS COTTON AREA</u>	16	50	17	0	17	0
REGIONAL TOTAL	40	21	4	8	21	6

^{1/} Percentages of total number of new mortgages on tracts conveyed.

^{2/} Includes contracts.

has risen from 35 percent in the first half of 1942 to 52 percent for the third quarter of 1943. The highest proportion of cash sales continued to be in the General Farming areas where 60 percent were purchased for cash in the current quarter as compared to 53 percent in the previous quarter. There appears to have been little change in the proportion (2 percent) of purchases in the Region made on contract.

Buyers' Equities Continue Up

Purchasers of land in the third quarter of 1943 made payments equal to a two-thirds equity in all land changing hands, the highest since the start of the survey in 1941. Equities of buyers in properties where the purchase was partially financed by a mortgage or contract also increased to a new high of 41 percent of the purchase price as compared to 39 percent in the previous quarter and 35 percent for the first half of 1942. Much of the increase in equities results from the increased purchases by non-farmers plus higher farm incomes and the resulting increased savings by farmers.

More of Mortgage Loans by Individuals

Sellers of land retained mortgages in part payment for 19 percent of the farm land sold in the third quarter of 1943 as compared to 15 percent in the second quarter and 19 percent in the first quarter of 1943. Of the new mortgage loans made by others than the sellers, individuals and commercial banks each made 35 percent of the total. (Table 11) This is an increase from 25 percent made by individuals and a decrease from 41 percent made by commercial banks in the previous quarter. The proportion of the new loans made by insurance companies decreased slightly while the new loans by the Federal Land Bank and Land Bank Commissioner decreased from 11 percent in the previous quarter to a low of 7 percent of the total in the third quarter of 1943. An increase in the number of farm mortgage loans by Savings and Loan Associations was especially noticeable in the general farming areas.

While lenders appear to be generally making loans for a somewhat lower proportion of the total purchase price, the amount loaned per acre rose to an average of about \$47 per acre as compared with \$46 in the second quarter and \$45 in the first quarter of 1943.

Current Mortgage Terms

The many changes which have already occurred in the land market have been accompanied by equally significant changes in the methods of mortgage financing. Several studies of mortgage terms have been made in the past and will serve as a basis for comparisons with the

information obtained currently in the 15 sample counties included in this special study. ^{6/} Similar checks from time to time will make possible the establishment of a trend in the terms of mortgage financing.

Interest Rates: ^{7/} Interest rates on farm mortgage loans appeared to be highest in the southern and eastern parts of the Region, ranging from an average of 5.28 percent in Johnson County, Missouri and 5.03 percent in Wayne County, Ohio to 3.73 percent for Steele County, Minnesota. The average interest rate for the 141 loans was 4.36 percent. (Table 12)

Table 12. Proportion of new farm land mortgages made at various interest rates, by type of lender, 11 sample counties, third quarter 1943, North Central Region

		:Loans with: Percent of total loans of each type of lender : interest : by interest rates								
		: rate : : given :	2%	3%	3 $\frac{1}{8}$ %	4%	4 $\frac{1}{2}$ %	5%	6%	7% : 8%
		Number	Percent							
Individuals	68		6	3	10	35	3	17	22	2
Commercial banks	43		-	-	-	23	7	33	37	-
Insurance companies	15		-	-	-	60	20	20	-	-
Savings and Loan Assoc.	8		-	-	-	-	-	-	100	-
FLB & LBC	5		-	-	-	80	-	20	-	-
Others	2		-	-	-	100	-	-	-	-
TOTAL	141		3	1	5	35	6	21	27	1

The fact that half of these farm mortgages bear an interest rate of five percent, or above indicates that borrowers on farm land are still not taking advantage of many possibilities for obtaining loans at lower interest rates.

Large mortgage loans were generally made at lower interest rates than small loans. (Table 13)

^{6/} See Appendix for a list of counties included.

^{7/} Weighted by size of loans.

Table 13. Average size of loans made at various interest rates, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Average size of new mortgage loans, by interest rate groups								
	2%	3%	3½%	4%	4½%	5%	6%	7%	8%
Average dollars per loan									
Individuals	5250	8750	4600	5620	3250	3842	1955	400	400
Commercial banks	-	-	-	11952	4167	4271	2153	-	-
Insurance companies	-	-	-	15378	6500	4167	-	-	-
Savings and Loan Assoc.	-	-	-	-	-	-	4725	-	-
FLB & LBC	-	-	-	3000	-	1800	-	-	-
Other	-	-	-	2500	-	-	-	-	-
ALL LOANS	5250	8750	4600	8364	4812	4007	2604	400	400

Interest rates on loans by individuals averaged 4.12 percent compared to 4.6 percent for loans by commercial banks, 4.13 percent for loans by insurance companies, 6.0 percent for savings and loan associations, 4.13 percent for the Farm Credit Administration 8%, and 4.0 percent for others.

Length of Mortgage: The majority of the borrowers on farm land mortgages appear also to ignore the advantages of long-term mortgages. The new mortgage loans averaged seven years in length with 62 percent being made for five years or less. Loans by individuals averaged only 4.98 years compared to 5.08 years for loans by commercial banks and 13.4 years for those made by insurance companies. (Table 14)

Table 14. Proportion of new farm mortgages made for various lengths of time, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Total cases	Length of mortgage						Monthly payments until paid in full
		1 year or less	2 years or less	3 years or less	4 years or less	5 years or less	6, 7, 8, 9, 10 years or less	
	Number	Percent						
Individuals	64	9	20	50	2	9	2	8
Commercial banks	39	8	23	46	3	15	0	5
Insurance companies	18	0	0	5	0	28	67	0
Savings and Loan Assoc.	7	0	14	0	0	0	0	86
FLB & LBC	5	0	0	0	0	20	80	0
Other	3	0	33	0	0	67	0	0
TOTAL	136	7	17	38	1	15	13	9

8/ Contracted rate.

From these data it would appear that a majority of farm land mortgages will come due and, in most cases, have to be refinanced in the period immediately following the war when terms for refinancing might be much less favorable than at present. This is emphasized still further by the fact that few of the mortgage loans for five years or less carry any amortization plan or require any regular payments on the principal. There appears to be little relationship within lender groups between the size and length of loans.

Amortization Requirements: Only 15 percent of the mortgage loans made in the sample areas provided for full amortization and these were for the most part the loans for 10 years or more made by the insurance companies, savings and loan associations and Federal credit agencies. (Table 15)

Table 15. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 11 sample counties, third quarter 1943, North Central Region

Type of lender	Percent of total mortgages		
	No payment required	Some regular payment on principal required	Full amortization provided
		Percent	
Individuals	72	19	0
Commercial banks	51	42	7
Insurance companies	32	68	0
Savings and Loan Assoc.	0	12	88
FLB & LBC	0	0	100
Other	33	67	0
TOTAL	53	32	15

While 53 percent of the loans required no payment on the principal during the life of the loan, in nearly all cases the borrower had the privilege of making payments on the principal at the time the interest is due and paid. In a few cases, however, payments on principal were limited, prohibited, or a penalty payment required for advanced payments. The third of the mortgage loans which provided that the borrower must make regular payments on the principal and which reduced but did not wipe out the mortgage debt during the life of the mortgage were most commonly made by commercial banks and insurance companies. These loans were usually for 5 or 10 years and were above average size. The loans with no regular payments on principal required during the life of the loan averaged \$3,823 compared to \$6,569 for partially amortized loans and \$6,746 for loans completely amortized.

It appears that present farm land purchasers have learned little from the experiences of a generation earlier. Many of them are again willing to borrow at high interest rates and for short periods and take a chance on paying off or refinancing the loan when it comes due. A rapid drop in farm land and farm commodity prices would place many of these borrowers in a distressed condition.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

- Grant County, Indiana
- **Rush County, Indiana
- *Tippecanoe County, Indiana
- Darke County, Ohio
- Madison County, Ohio

Illinois-Indiana Cash Grain

- **Champaign County, Illinois
- Livingston County, Illinois
- Logan County, Illinois

Illinois-Iowa Livestock

- ** *Knox County, Illinois
- Ogle County, Illinois
- **Cedar County, Iowa

Central and Northern Iowa

- Benton County, Iowa
- Cerro Gordo County, Iowa
- *Palo Alto County, Iowa
- *Story County, Iowa

Western Iowa

- **Crawford County, Iowa
- Montgomery County, Iowa

Corn Belt Fringe Areas

Toledo General Farming

- Adams County, Indiana
- **Putnam County, Ohio
- *Seneca County, Ohio

Kankakee River

- Noble County, Indiana
- *Newton County, Indiana

Lower Wabash River

- Knox County, Indiana
- Parke County, Indiana

Missouri Putnam Soils

- ** *Audrain County, Missouri
- Monroe County, Missouri

Iowa-Missouri Pasture

- Clarke County, Iowa
- **Harrison County, Missouri

Maryville-Greenfield Livestock

- **Nodaway County, Missouri
- Adair County, Iowa

Southern Minnesota

- ** *Steele County, Minnesota
- ** *Cottonwood County, Minnesota
- *McLeod County, Minnesota

LaCrosse-Dubuque Livestock

- **Fayette County, Iowa
- Lafayette County, Wisconsin
- Winona County, Minnesota

Dairy Areas

Northeastern Ohio

- *Wayne County, Ohio
- Medina County, Ohio

Lake Michigan

- *Brown County, Wisconsin
- Jefferson County, Wisconsin
- **McHenry County, Illinois
- *Porter County, Indiana

East St. Louis

- Clinton County, Illinois
- Macoupin County, Illinois

General Farming Areas

Southeastern Ohio

- Muskingum County, Ohio
- Pike County, Ohio

Southeastern Indiana

- **Jennings County, Indiana
- Ripley County, Indiana

Southwestern Missouri Plains

- *Johnson County, Missouri
- Lawrence County, Missouri

Central Wisconsin-Minnesota

- Barron County, Wisconsin
- **Morrison County, Minnesota

Red River Valley

- Stevens County, Minnesota
- Norman County, Minnesota

Missouri-Illinois Cotton Area

- **Pemiscot County, Missouri

* Counties included in special study of mortgage terms.

** Counties included in special study of resales.

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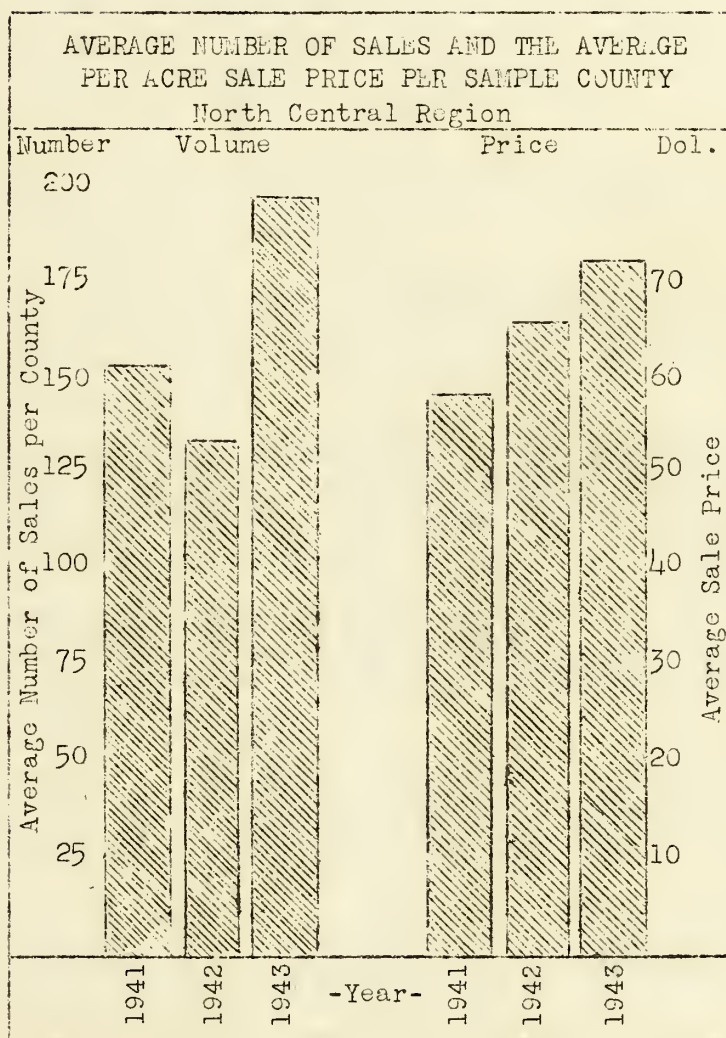
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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

Fourth Quarter 1943



Milwaukee, Wisconsin

February 1944

Summary

Volume: The volume of land transfers for the present quarter is 88 percent higher than for the same period of 1942. The cash grain area of Illinois and Indiana was the only area showing a decrease over the year previous.

Purchasers: Almost three-quarters of the tracts transferred have been purchased by farmers. This is the highest proportion of farmer purchasers attained in any quarter of the survey. Although the number of nonfarmer purchasers declined, the proportion of these persons planning to operate increased markedly over last quarter.

Sellers: Little change in the type of seller has occurred since the previous quarter. The Cotton Area far exceeded other areas in the percent of land sold by individuals.

Prices: The average sale price of farm land transferred in the fourth quarter of 1943 is 15 percent higher than for the same period of 1942. The only decrease in price from a year earlier occurred in the Illinois-Indiana Cash Grain Area.

Buyers Equity: Fifty-two percent of the individuals purchasing land have been able to pay cash for the land they bought. This is the same percent as paid cash in the previous quarter. Those who mortgaged their land retain only a 39 percent equity in the property.

Mortgage Financing: Sellers financed thirteen percent of the land purchased in the current quarter. This represents 41 percent of all the mortgage financed purchases. Insurance companies did their largest business in the Corn Belt Area.

Resales: Land resold within two years of the purchase date averaged only 10.6 percent of the third quarter sales. However, they have reached a much greater proportion in some counties.

Outlook: The continuation of favorable agricultural prices and large nonfarm incomes, coupled with the present heavy debt reduction, will create greater reserves of purchasing power. The probable result will be higher prices being paid for land.

WARTIME LAND MARKET SURVEY 1/
Fourth Quarter, 1943 2/ -

Introduction

A popular adage tells us that "experience is the best teacher." However, it appears we have forgotten much we learned from our experience in the World War I land boom. For once again our nation is facing the possibility of wartime inflation upsetting the national ~~economy~~ economy. Recent developments in the land market so closely resemble the era of World War I that congressional action has been taken to introduce control measures.

The amount of activity in the land market provides a simple barometer for measuring the degree of national prosperity. Just where the optimum degree of prosperity ends and inflation begins cannot be measured. However, for the individual investing in farm land, inflation has begun when the purchase price of the farm is based on a continuation of present agricultural prices. This is the disastrous mistake made in the World War I land boom. The attitude of "We farmers have been deflated so long that we would welcome a little inflation," expressed by an Audrain County, Missouri, farmer is dangerously popular.

There is a definite tendency to revise our conception of normal values with rising prices. For this reason many people expect present prices to continue. It should be impressed upon the farmer as well as the war worker that present large incomes cannot be expected to continue after the war.

The one bright spot in the whole development is that this time we have not allowed ourselves to become so deeply indebted. Can we or will we continue this good record? If we do, our experiences in the deflationary period will be less severe.

Years of good crops and favorable prices are attracting surplus funds to farm land. Continued larger incomes and the heavy debt retirement in the past two years will leave even larger sums to bid up the price of land.

1/ Assistance in collecting and tabulating the data for this survey was provided by members of the departments of agricultural economics in Illinois, Indiana, Iowa, Missouri, Minnesota, Michigan and Ohio, and by members of the B.A.E. staff.

2/ This report is the eighth in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only bona fide sales transfers and were obtained from deed and mortgage records in local county recorders' offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.



**FIGURE I.-- MAJOR
LAND MARKET SURVEY
AREAS AND SAMPLE COUNTIES,
NORTH CENTRAL REGION.**

TABLE 1. Average Number of Recorded Voluntary Farm Real Estate
Sales per sample county for 1942 and 1943 in the North
Central Region 1/

	1942 Quarters				1943 Quarters <u>2/</u>			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(Number)							
<u>CORN BELT AREAS</u>	43	20	17	17	54	39	22	25
Central Indiana-Ohio	39	31	25	30	66	50	39	62
Illinois-Indiana Cash Grain	41	17	20	19	48	27	18	15
Illinois-Iowa Livestock	47	23	16	16	53	30	13	19
Central and Northern Iowa	45	16	12	11	49	40	18	15
Western Iowa	40	14	16	9	62	50	23	13
<u>CORN BELT FRINGE AREAS</u>	48	20	13	25	55	49	35	45
Toledo General Farming	46	21	15	32	63	70	39	49
Kankakee River	39	26	15	21	36	26	20	<u>3/</u>
Lower Wabash River	29	25	13	29	50	44	40	60
Missouri Putnam Soils	58	30	16	28	69	42	32	71
Iowa-Missouri Pasture	66	21	12	34	86	48	32	38
Maryville-Greenfield Livestock	95	16	18	18	97	69	44	42
Southern Minnesota	24	16	10	16	18	30	25	26
LaCrosse-Dubuque Livestock	40	15	9	23	50	35	25	29
Central Michigan	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	52	62	55	65
<u>DAIRY AREAS</u>	40	32	22	28	45	60	48	60
Northeastern Ohio	50	58	28	42	54	69	57	54
Lake Michigan	42	24	20	26	46	60	48	69
East St. Louis	22	26	22	18	31	45	38	39
<u>GENERAL FARMING AREAS</u>	38	28	27	36	50	67	57	80
Southeastern Ohio	33	29	20	30	40	75	62	43
Southeastern Indiana	34	31	32	30	45	49	54	75
Southwestern Missouri Plains	47	36	34	54	90	88	72	83
Central Minnesota-Wisconsin	66	46	51	48	54	73	67	113
Red River Valley	22	14	16	27	20	27	14	37
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	15	19	17	52
<u>REGIONAL AVERAGE</u>	43	23	16	26	52	51	37	49

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated in the preceding month but recorded in that quarter of 1943.

2/ Revised

3/ Not available

4/ Estimate

VOLUME

The number of real estate transfers in 1943 was 47 percent greater than the number transferred in 1942 (table 2). The Dairy area and the corn-belt fringe area were the areas of greatest increase. The volume of resales does not indicate that the cause of the increase was due to the resale of land within the year. Therefore, it must be assumed that the bulk of the transfers were new sales. The year did provide a profitable opportunity for those to "get out" who were contemplating retiring and for those going into industry or elsewhere with the idea of "buying in" at deflated prices. Still others with an eye to a deflating period were buying a home to which they might turn in a period of unemployment.

The decline of 16 percent in the number of transfers which occurred from 1941 to 1942 can largely be explained by land passing out of the hands of unwilling owners into the hands of individuals desiring ownership for one reason or another.

: TABLE 2. Average Number of farmland transfers				:
: Per Sample County				:
: Year	1941	1942	1943	:
: Number	157	135	198	:

The volume of transfers for this quarter is 88 percent higher than for the same period of 1942. In only one sub-area was there fewer sales this quarter than in the fourth quarter of 1942 (table 1). This was in the cash grain area of Illinois and Indiana - one of the three highest land value areas of this region. This same area showed the only decrease in land value for the region for these comparable quarters.

This is a relatively inactive season for the land market, but even so the average number of sales is only 3 less than the first quarter of the year which is the season of greatest activity.

The areas of greatest activity this quarter as well as the past two years are the dairy area and the general farming area. These areas have more than double the number of transfers which occurred in the fourth quarter of 1942.

PURCHASERS

Almost three quarter of the tracts transferred this quarter have been purchased by farmers (table 3). This is the highest proportion of farmer purchasers attained in any year of the survey and compares with 59 percent farmer purchasers in the 4th quarter of 1942 and 55 percent in the previous quarter (table 4).

TABLE 3. Farmers and nonfarmers buying farms and their intentions to operate or lease to others, Fourth quarter 1943, North Central Region

Area	Total transfers classified : Number	Farmers		Nonfarmers	
		To operate	To lease to others	To operate	To lease to others
		: Percent	: Percent	: Percent	: Percent
<u>CORN BELT AREAS</u>	201	58	12	9	21
Central Indiana-Ohio	127	66	2	9	23
Illinois-Indiana Cash Grain	29	52	17	3	28
Illinois-Iowa Livestock	15	73	7	20	0
Central and Northern Iowa	16	50	13	6	31
Western Iowa	14	57	22	7	14
<u>CORN BELT FRINGE AREAS</u>	324	66	11	6	17
Toledo General Farming	81	49	14	14	23
Lower Wabash River	57	65	12	5	18
Missouri Putnam Soils	67	73	3	10	14
Iowa-Missouri Pasture	37	78	3	0	19
Maryville-Greenfield Livestock	21	76	14	5	5
Southern Minnesota	29	73	10	0	17
LaCrosse-Dubuque Livestock	32	59	13	9	19
<u>DAIRY AREAS</u>	200	50	6	28	16
Northeastern Ohio	28	47	0	39	14
Lake Michigan	134	50	6	30	14
East St. Louis	38	55	16	5	24
<u>GENERAL FARMING AREAS</u>	320	68	8	9	15
Southeastern Ohio	42	48	7	21	24
Southeastern Indiana	88	50	9	23	18
Southwestern Missouri Plains	70	70	12	9	9
Central Minnesota-Wisconsin	80	76	6	6	12
Red River Valley	40	70	13	2	15
<u>MISSOURI-ILLINOIS COTTON AREA</u>	33	58	15	9	18
REGIONAL TOTAL	1078	62	10	10	18

This is indeed encouraging if our aim is to make owners of our farm operators. Many present farm owners have purchased tracts to increase the size and efficiency of their present farm unit. Another group of these farmer purchasers comes from retiring owners who have sold their larger farm to purchase a smaller farm. Although owner operators comprised the largest group of farmer purchasers in increasing number of tenants who find they now have the capital are purchasing farms. A few of these tenants are hedging against any sudden change in agricultural prices by planning to rent out their newly purchased farm for a few years. In this way they are hoping to accumulate enough cash from the income of two farms to secure their purchase.

TABLE 4. Proportion of Tracts of farm land Purchased
by occupation and intent of Purchaser

	FARMERS			NON-FARMERS		
		To Lease	To Others		To Lease	To Others
1943	To Operate			To Operate		
1st Quarter	60	7	(Percent)	8	25	
2nd "	54	7		10	29	
3rd "	48	7		11	34	
4th "	62	10		10	18	

With the increase in farmer purchasers has also come a slight increase in the percent of these farmers who intend to rent their newly purchased farms. However, the increase is very small compared to the number who intend to operate their farm.

The percent of non-farmers purchasing land has consequently taken a sharp decline. In all areas except the dairy area the popular intention among non-farmer purchasers is to rent out their newly purchased farms (table 3). However, in the dairy area a decidedly larger number plan to operate the farms themselves.

Although the percent of buyers represented by non-farmers planning to operate has not changed since the previous quarter, the percent representing non-farmers planning to lease has been reduced almost by half. The result is a larger proportion of non-farmers planning to operate than prevailed last quarter.

SELLERS

In only one area has a significant change in the type of seller occurred since the previous quarter. The percent of nonfarmers selling land dropped from 33 percent in the third quarter to 26 percent for the present quarter (table 5). Individuals sold 70 percent of the land transferred this quarter compared with 68 percent in the third quarter.

TABLE 5. Types of owners selling farms, Fourth quarter, 1943
North Central Region

	Total transfers classified	Type of Seller				
		Owner oper- ator	Non- farmer	Unclassified individuals	Estates	Corporations and Gov't.
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
<u>CORN BELT AREAS</u>	342	11	25	31	19	14
Central Indiana-Ohio	187	20	33	19	21	7
Illinois-Indiana Cash Grain	46	11	37	22	22	8
Illinois-Iowa Livestock	37	3	27	37	19	14
Central and Northern Iowa	46	11	15	50	15	9
Western Iowa	26	8	19	-	23	50
<u>CORN BELT FRINGE AREAS</u>	644	15	23	30	17	15
Toledo General Farming	197	9	21	45	19	6
Lower Wabash River	119	13	21	40	13	13
Missouri Putnam Soils	71	26	34	3	20	17
Iowa-Missouri Pasture	76	12	28	27	8	25
Maryville-Greenfield Livestock	84	6	10	52	10	22
Southern Minnesota	51	18	27	24	20	11
LaCrosse-Dubuque Livestock	46	26	20	15	26	13
<u>DAIRY AREAS</u>	407	18	25	35	16	6
Northeastern Ohio	54	17	20	42	19	2
Lake Michigan	275	20	26	36	12	6
East St. Louis	78	9	27	23	28	13
<u>GENERAL FARMING AREAS</u>	587	18	30	26	11	15
Southeastern Ohio	85	22	35	29	10	4
Southeastern Indiana	149	13	52	23	9	3
Southwestern Missouri Plains	166	19	26	47	6	2
Central Minnesota-Wisconsin	113	20	26	19	11	24
Red River Valley	74	9	34	26	13	18
<u>MISSOURI-ILLINOIS COTTON AREA</u>	52	54	36	4	4	2
REGIONAL TOTAL	2151	15	26	29	16	14

The cotton area far exceeded other areas in the percent of land sold by all individuals, but most strikingly in the number of owner operators selling land. This area is the only area where owner operators sold more land than other types of sellers and presents a reverse from last quarter.

Fifty-four percent of the owner operators who have sold land during the present quarter plan to continue farming (table 6). This represents an increase of 3 percent over last quarter and 11 percent over the second quarter of the current year. Many of these owner operators report they are selling tracts unsuitably located for convenient operation. Others report their sales were due to the shortage of help.

TABLE 6. Intention of Owner-operators who recently sold land, sample counties, fourth quarter, 1943
North Central Region

Area	Intent of owner-operators after selling land			
	Continue	Work at other	In Armed	Retire
	to farm	civilian occupations	Forces	
	Percent			
Corn Belt Areas	78	1	0	21
Corn Belt Fringe Areas	46	12	0	42
Dairy Areas	37	9	0	54
General Farming Areas	42	17	2	39
Cotton Area	94	6	0	0
REGION	54	9	1	36

The rising percentage of owner operators selling land, and who intend to continue in farming has been accompanied by a declining percentage of such sellers who plan to go into other occupations or retire. The percent who have sold land because of entering the armed services has remained constant the past two quarters.

PRICES

Land prices continue to rise. The yearly average advance in land prices since 1941 for the North Central region has been approximately 10 percent (table 7). The average sale price of farm land transferred in the fourth quarter of 1943 is 15 percent higher than for the same period of 1942. Although this indicates slightly more than a one percent a month increase in land prices for the past year, the average price this quarter is $2\frac{1}{2}$ percent lower than it was during the previous quarter. Only the Illinois Indiana cash grain area showed a decrease in price from a year earlier. However, the other two comparable high priced land areas showed a 45 and 52 percent increase in price for the same period.

The greatest increase in price occurred in the LaCrosse-Dubuque live-stock area where land prices increased 59 percent over the fourth quarter

TABLE 7: Average per acre price of farmreal estate changing ownership in sample counties, by areas, 1942 and 1943, in the North Central Region ^{1/}

Area <u>2/</u>	No. of sample counties for 1943	1941 <u>3/</u>	1942 <u>4/ 5/</u>	1943	Third Quarter 1943 <u>5/</u>	Fourth Quarter 1943	Pct. Change 4th Quarter '43 over 4th Quarter 1942
	Number	Dollars					Percent
<u>CORN BELT AREAS</u>	17	89	98	113	119	112	+ 14
Central Indiana-Ohio	5	82	88	104	96	104	+ 17
Illinois-Indiana Cash Grain	3	124	140	149	167	128	- 15
Illinois-Iowa Livestock	3	84	93	110	120	96	+ 4
Central and Northern Iowa	4	84	94	112	118	128	+ 45
Western Iowa	2	67	68	78	82	82	+ 17
<u>CORN BELT FRINGE AREAS</u>	22	48	53	61	64	65	+ 20
Toledo General Farming	4	69	73	85	86	83	+ 19
Kankakee River	2	53	58	71	74	6/	6/
Lower Wabash River	2	38	44	56	58	64	+ 45
Missouri Putnam Soils	2	21	24	26	33	26	0
Iowa-Missouri Pasture	2	29	34	35	38	45	+ 22
Maryville-Greenfield Livestock	2	54	53	59	64	62	+ 11
Southern Minnesota	3	6/	60	65	81	73	+ 14
LaCrosse-Dubuque Livestock	3	6/	50	60	44	70	+ 59
Central Michigan	2	6/	6/	63	70	63	6/
<u>DAIRY AREAS</u>	9	68	70	79	89	88	+ 19
Northeastern Ohio	2	70	79	81	94	94	+ 16
Lake Michigan	5	71	72	84	94	96	+ 22
East St. Louis	2	54	52	59	66	54	+ 13
<u>GENERAL FARMING AREAS</u>	10	24	24	30	31	33	+ 27
Southeastern Ohio	2	25	28	27	26	29	+ 4
Southeastern Indiana	2	22	22	33	31	35	+ 52
Southwestern Missouri Plains	2	29	26	35	42	39	+ 44
Central Minnesota-Wisconsin	2	6/	22	30	31	33	+ 27
Red River Valley	2	6/	24	28	28	31	+ 29
<u>MISSOURI-ILLINOIS COTTON AREA</u>	1	78	93	139	155	154	+ 52
REGIONAL TOTAL	59	60	64	72	77	75	+ 15

^{1/} Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in the Appendix.

^{2/} Areas and subareas are given weights in averages according to their size.

^{3/} For 33 sample counties only.

^{4/} For 57 sample counties only.

^{5/} Revised.

^{6/} Not available.

of 1942. In general it may be said that the largest increases occurred in the areas of below average priced land.

land
Persons who purchased prior to the last land boom and sold in the current quarter received a higher price for their land than they paid for it. On the other hand, persons who bought land during the last land boom and sold in the current quarter are still receiving a price lower than the price paid (Figure 1). Land acquired in 1940 by these persons and sold this quarter increased 21 percent in price.

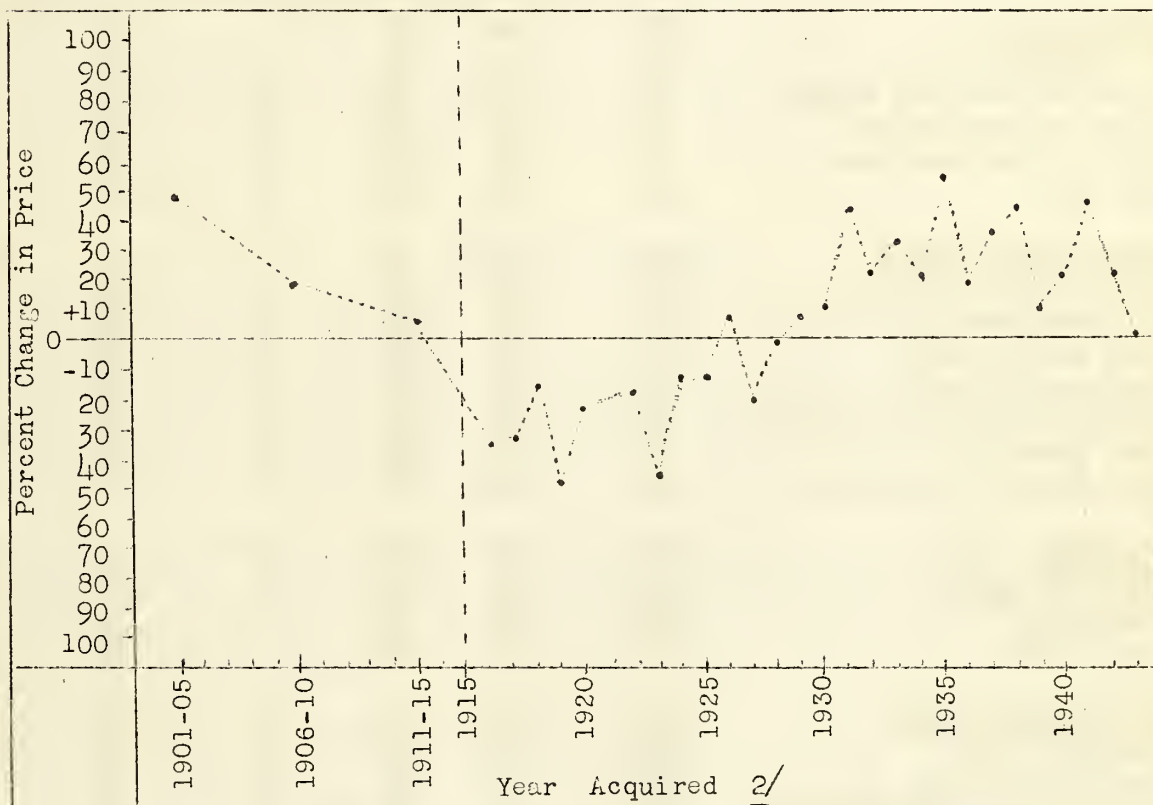


FIG. 1. The percentage change in price of land sold during the fourth quarter of 1943 from the price at which the land was acquired.^{1/}

^{1/} Based upon information contained in 226 questionnaires returned by individuals who sold land in the fourth quarter.

^{2/} The number reporting to have purchased land prior to 1916 is too small to provide an adequate sample for each individual year. Therefore 5 year groupings are used.

BUYER'S EQUITY

Fifty-two percent of the individuals purchasing land have been able to pay cash for the land they bought (table 8). The present quarter is the second quarter in which over half of the purchasers did not mortgage their

TABLE 8. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties, North Central Region, fourth quarter, 1943

Area	Total transfers class- ified	Method of financing			Buyer's equity	
		Cash sales	Cash and Mort- gage	Purchase con- tracts	In mort- gaged proper- ties 1/	In all proper- ties deeded
	Number	Percent				
<u>CORN BELT AREAS</u>	342	48	51	1	44	69
Central Indiana-Ohio	187	36	64	0	40	63
Illinois-Indiana Cash Grain	46	63	37	0	47	78
Illinois-Iowa Livestock	37	59	41	0	45	73
Central and Northern Iowa	46	48	50	2	47	71
Western Iowa	26	23	73	4	37	50
<u>CORN BELT FRINGE AREAS</u>	644	55	43	2	35	64
Toledo General Farming	197	54	45	1	44	71
Lower Wabash River	119	52	48	0	40	65
Missouri Putnam Soils	71	45	55	0	30	51
Iowa-Missouri Pasture	76	61	39	0	33	61
Maryville-Greenfield Livestock	84	75	21	4	28	75
Southern Minnesota	51	37	63	0	32	52
LaCrosse-Dubuque Livestock	46	63	28	9	33	69
<u>DAIRY AREAS</u>	407	50	49	1	43	68
Northeastern Ohio	54	46	54	0	49	76
Lake Michigan	275	46	53	1	39	61
East St. Louis	78	73	27	0	48	81
<u>GENERAL FARMING AREAS</u>	587	55	45	0	37	68
Southeastern Ohio	85	55	45	0	39	74
Southeastern Indiana	149	55	45	0	43	69
Southwestern Missouri Plains	166	48	52	0	42	62
Central Minnesota-Wisconsin	113	58	42	0	38	66
Red River Valley	74	53	47	0	28	69
<u>MISSOURI-ILLINOIS COTTON AREA</u>	52	33	67	0	51	59
REGIONAL TOTAL	2032	52	47	1	39	67

1/ Includes purchase contracts.

property. This compares with the first half of 1942 when only 35 percent of the purchasers paid cash for their land.

In the corn belt area and the general farming area, the only two areas where the per acre value is below the regional average, 55 percent of the purchasers paid cash for their land. Sharp contrast is given by the cotton area which has the highest land value. In that area only 33 percent of the purchasers paid cash.

There has been no change from last quarter in percent of equity for all land purchased in the region. Buyers laid enough cash on the line to pay 67 percent of the price of all land transferred. Those who mortgaged their land have only a 39 percent equity in the property. This is a decrease from 41 percent last quarter and on the same level as the second quarter of this year. Up to this point there has been a continual increase in buyer's equity of mortgage financed property.

MORTGAGE FINANCING

Thirteen percent of all the land transferred in the current quarter has been financed through the seller. This continues to be the most prominent method of financing the purchase of land. Sellers hold a mortgage on 41 percent of the land purchased this quarter by mortgaging the property (table 9). Purchase money mortgages occurred most frequently in the corn belt fringe area.

Other new mortgages are held primarily by commercial banks and individuals. The percent of these new mortgages made by commercial banks has increased from 21 percent the previous quarter to 26 percent for the present quarter. Insurance did their largest loan business in the corn belt area.

Although buyer's equity in mortgaged property has dropped from the previous quarter, the average per acre indebtedness has also dropped. Average per acre indebtedness last quarter was \$47 compared to \$46 for the present quarter.

Interest charges on mortgages covering land purchased in the present quarter vary from 2 percent on loans made by individuals to 6 percent on loans made by commercial banks and individuals (table 10). 1/ Most of the mortgages carry an interest rate of 5 percent and 51 percent of the mortgage loans are made with interest rate of 5 or 6 percent. None of the loans reported carry more than a 6 percent rate of interest.

1/ The sample counties used in the study mortgage terms are Muskingum, Ohio; Seneca, Ohio; Wayne, Ohio; Madison, Ohio; Darke, Ohio; Livingston, Michigan; Gratiot, Michigan; Van Buren, Michigan; Lenawee, Michigan; Porter, Indiana; Knox Indiana; Steele, Minnesota; Cottonwood, Minnesota; Knox, Illinois; and Story, Iowa.

TABLE 9. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, fourth quarter, 1943, North Central Region 1/

Area	Other new mortgages by					
	Purchase	Individ-	FLB,	Insur-	Com-	
	money	uals	LBC	ance	mercial	Other
	mortgages:	:	& FSA:	Co.	banks	:
	2/	:	:	:	:	:
(percentages)						
<u>CORN BELT AREAS</u>	37	9	12	11	28	3
Central Indiana-Ohio	24	14	13	2	36	11
Illinois-Indiana Cash Grain	20	20	30	10	20	0
Illinois-Iowa Livestock	50	0	7	0	36	7
Central and Northern Iowa	35	6	6	24	29	0
Western Iowa	73	7	7	7	6	0
<u>CORN BELT FRINGE AREAS</u>	46	19	10	3	21	1
Toledo General Farming	24	15	4	2	51	4
Lower Wabash River	16	18	9	5	52	0
Missouri Putnam Soils	46	27	5	0	14	8
Iowa-Missouri Pasture	58	16	21	0	5	0
Maryville-Greenfield Livestock	84	8	0	0	8	0
Southern Minnesota	36	24	8	12	20	0
LaCrosse-Dubuque Livestock	59	23	18	0	0	0
<u>DAIRY AREAS</u>	40	21	9	1	26	3
Northeastern Ohio	25	25	11	0	32	7
Lake Michigan	44	25	3	0	28	0
East St. Louis	44	0	31	6	13	6
<u>GENERAL FARMING AREAS</u>	40	18	4	2	31	5
Southeastern Ohio	41	12	0	0	35	12
Southeastern Indiana	33	8	0	0	53	6
Southwestern Missouri Plains	32	31	3	0	28	6
Central Minnesota-Wisconsin	44	15	0	0	41	0
Red River Valley	35	23	18	12	0	12
<u>MISSOURI-ILLINOIS COTTON AREA</u>	23	18	18	4	5	32
REGIONAL TOTAL	41	16	9	5	26	3

1/ Percentages of total number of new mortgages on tracts conveyed.

2/ Includes contracts.

TABLE 10. Proportion of new farm land mortgages made at various interest rates, by type of lender, 15 sample counties, fourth quarter, 1943
North Central Region

Type of Lender	Total Cases	Percent of total loans of each type of lender by interest rates									Not Given
		2%	3%	3½%	4%	4½%	5%	6%	7%	8%	
	Number	Percent									
Individuals	132	2	3	2	17	5	32	23	0	0	17
Commercial banks	164	0	0	0	12	2	29	27	0	0	30
Insurance Companies	9	0	0	0	11	11	11	0	0	0	67
FLB and LBC	38	0	0	0	71	0	29	0	0	0	0
Others	4	0	0	0	0	75	0	0	0	0	25
TOTAL	347	1	1	1	20	4	29	22	0	0	22

Two fifths of all the mortgages are made for a period of only 5 years or less (table 11). Undoubtedly many of these borrowers are planning on the continuation of present agricultural prices for at least 5 years in the hopes of paying off their mortgages in that time. Nevertheless many of these loans will very likely have to be refinanced at the end of this period.

TABLE 11. Proportion of new farm mortgages made for various lengths of time, by type of lender, 15 sample counties, fourth quarter 1943, North Central Region.

Type of Lender	Total cases	Length of Mortgage						Not Given
		1 year or Less	2, 3 or 4 Years	5 Years	6, 7, 8 or 9 Years	10 Years	Over 10 Years	
	Number	Percent						
Individuals	132	6	17	35	11	10	5	16
Commercial banks	164	10	8	20	7	20	5	30
Insurance companies	9	0	0	0	0	44	33	23
FLB and LBC	38	0	0	0	0	0	92	8
Other	4	50	0	25	0	0	0	25
TOTAL	347	7	11	23	7	15	15	22

The one favorable spot in the whole mortgage situation is the fact that three fifths of the mortgages provide for either full or partially amortized repayment (table 12). This will permit borrowers to reduce the principal of their mortgage during this period of high income.

TABLE 12. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 15 sample counties, fourth quarter 1943, North Central Region

Type of Lender	Total Cases	Percent of total mortgages			
		Fully Amortized	Partially Amortized	Not Amortized	Not Given
	Number	Percent			
Individuals	132	24	30	30	16
Commercial banks	164	32	30	23	15
Insurance companies	9	45	11	0	44
FLB and LBC	38	100	0	0	0
Other	4	0	0	75	25
TOTAL	347	37	26	23	14

RESALES

The percent of land purchased and resold within the period of a year provides an index to the degree of speculation in the land market.

A record of the number of tracts sold two or more times in 15 sample counties ^{1/}since December 31, 1940 indicates that the amount of land resold within one year of the purchase date averages only about 7 percent of the total sales (figure 2). This percentage has not varied significantly during the period of the study. Therefore, we cannot attribute any appreciable part of the present rising volume of land transfers to resales.

The increase in price which usually accompanies a quick resale declined quite markedly from the peak of a 24 percent increase in price for land resold in the first quarter of 1943 to 16 percent for land resold in the third quarter of the same year. None of this land was held more than one year.

^{1/} See table 13 for the counties used in the study of resales.

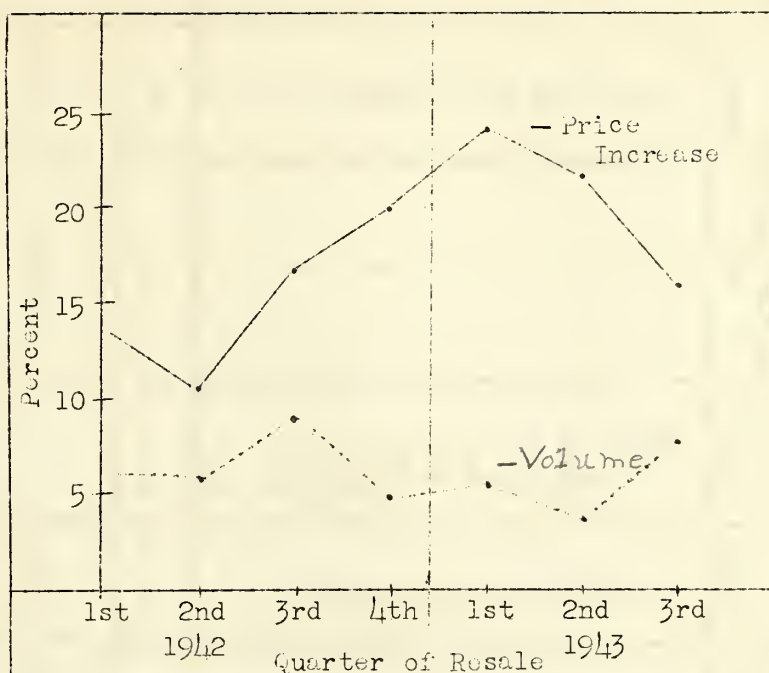


Fig. 2. Percent of total quarterly sales resold within a year and the average percent increase in price, by quarter of resale. ^{1/}

Although resales do not present much of a problem when considered on a regional basis, there are areas in which they deserve attention. In some counties the volume of land resold within a period of two years accounts for one fourth or more of the total number of tracts transferred in the third quarter of the current year and averaged 10.6 percent of all land transferred (table 13).

The average percentage change in price for these resales netted the sellers 12 percent more for the land than they originally paid.

Statements given by sellers as to the year they acquired the land indicates that land sold in the fourth quarter of 1943 was retained in ownership an average of 12 years (Figure 3); one year less than the average for land sold last quarter. Twenty eight percent of the current quarter sellers had possession of the land for only four years or less.

^{1/} Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once during the two and one-half year. Purchase and sales prices were used in determining the change in price or gross profit of the seller. It should be recognized that sales costs have not been taken into account in computing profit.

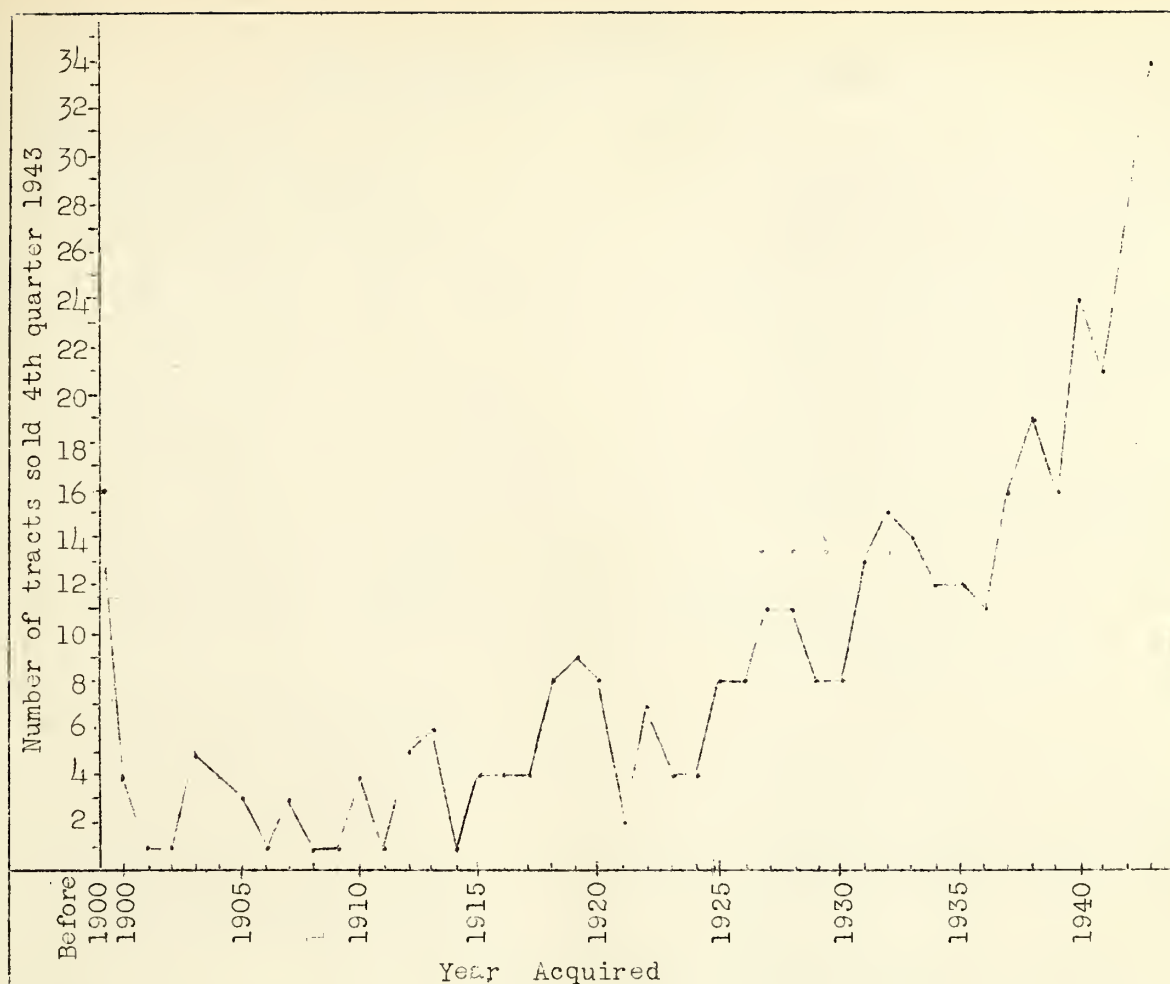


FIG. 3. Number of tracts sold in the fourth quarter 1943 plotted by the year acquired. 1/

OUTLOOK

It would appear that by this time most all of the farm land is in strong hands, being held by persons who have bought for a home or an investment and that future sales will only be made at further advanced prices.

The outlook is for favorable agricultural prices for at least two years. High incomes will very likely continue for the same period and present and future debt reductions will create greater reserves of purchasing power. The probable result will be higher prices being paid for land by persons seeking homes, an investment opportunity or the chance to speculate on the rising land market.

Heavy mortgage indebtedness is one of the principle causes of agricultural distress during periods of deflation and should be avoided by individuals purchasing land at present prices. The present quarter marks a halt in the advance of buyer's equity in mortgaged properties. This may be the turning point toward larger mortgage indebtedness and will merit close observation.

1/ Based on the statements of 379 persons selling land in the fourth quarter.



47 with data } from Summary Report
12 without

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

- *Grant County, Indiana
- \Rush County, Indiana
- *Tippecanoe County, Indiana
- \Darke County, Ohio
- \Madison County, Ohio

Illinois-Indiana Cash Grain

- \Logan County, Illinois
- \Champaign County, Illinois
- \Livingston County, Illinois

Illinois-Iowa Livestock

- Knox County, Illinois
- *Ogle County, Illinois
- \Cedar County, Iowa

Central & Northern Iowa

- \Benton County, Iowa
- \Cerro Gordo County, Iowa
- *Palo Alto County, Iowa
- \Story County, Iowa

Western Iowa

- \Crawford County, Iowa
- \Montgomery County, Iowa

Corn Belt Fringe

Toledo General Farming

- \Adams County, Indiana
- \Putnam County, Ohio
- \Seneca County, Ohio
- \Lenawee County, Michigan

Kankakee River

- *Newton County, Indiana
- *Noble County, Indiana

Lower Wabash

- \Parke County, Indiana
- \Knox County, Indiana

Missouri-Putnam

- *Audrain County, Missouri
- \Monroe County, Missouri

Iowa-Missouri Pasture

- \Clarke County, Iowa
- \Harrison County, Missouri

Maryville-Greenfield

- \Nodaway County, Missouri
- \Adair County, Iowa

Southern Minnesota

- \Cottonwood County, Minnesota
- *McLeod County, Minnesota
- \Steele County, Minnesota

LaCrosse-Dubuque

- \Fayette County, Iowa
- \Lafayette County, Wisconsin
- *Winona County, Minnesota

Central Michigan

- \Livingston County, Michigan
- \Gratiot County, Michigan

Dairy Areas

Northeastern Ohio

- *Medina County, Ohio
- \Wayne County, Ohio

Lake Michigan

- \Brown County, Wisconsin
- \Jefferson County, Wisconsin
- *McHenry County, Illinois
- \Porter County, Indiana
- \Van Buren County, Michigan

East St. Louis

- \Clinton County, Illinois
- \Macoupin County, Illinois

General Farming

Southeastern Ohio

- \Muskingum County, Ohio
- \Pike County, Ohio

Southeastern Indiana

- \Jennings County, Indiana
- \Ripley County, Indiana

Southwestern Missouri Plains

- \Johnson County, Missouri
- \Lawrence County, Missouri

Central Minnesota-Wisconsin

- \Barron County, Wisconsin
- *Morrison County, Minnesota

Red River Valley

- \Stevens County, Minnesota
- \Norman County, Minnesota

Cotton Area

- \Pemiscot County, Missouri

*Omitted this quarter

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